

**SPAIN AND EUROPEAN ECONOMIC COOPERATION, 1945-1955
A CASE STUDY IN SPANISH FOREIGN ECONOMIC POLICY**

by Fernando Guirao

*Dissertation submitted in fulfillment of the requirements
for the degree of Doctor of Philosophy
at the European University Institute
Department of History and Civilization*

Volume I

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European University Institute)
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Florence, February 1993

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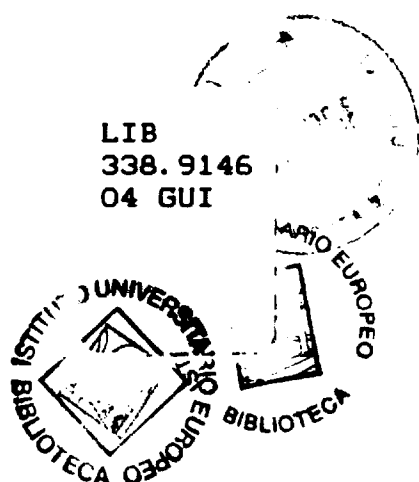
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PREFACE

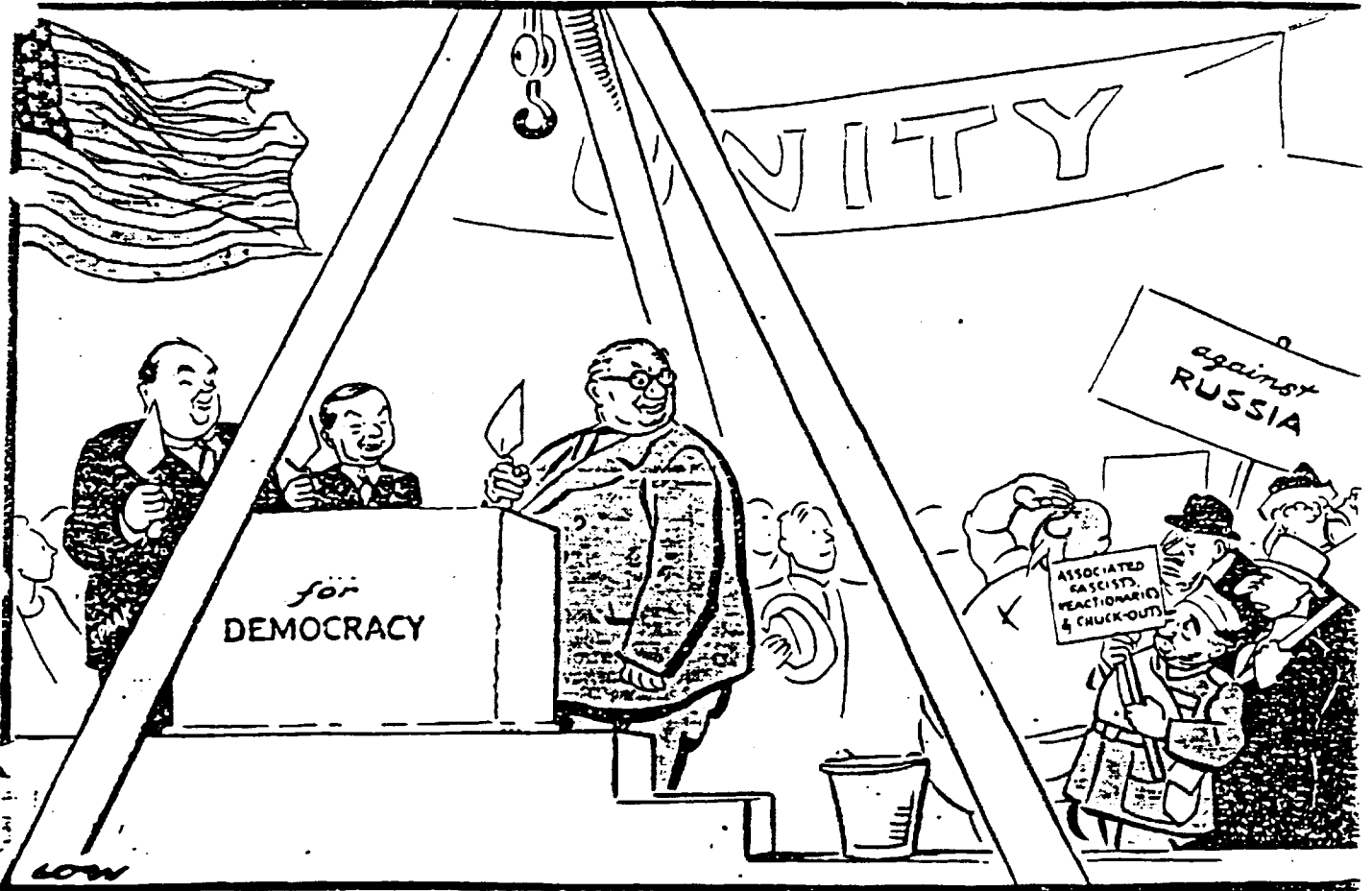
A doctoral dissertation on Spain and Western European economic cooperation during the period from 1945 to 1955 might cause initial surprise. During the entirety of Franco's reign Spain was excluded from European initiatives as a consequence of its lack of democratic process. The political cartoon on the facing page caricatures the clash existing at the time between Spain and democratic Europe. It shows the British, French and Belgian foreign secretaries Ernest Bevin, George Bidault and Paul-Henri Spaak, representing the nations of Western Europe, initiating the construction of a United Europe in the name of democracy, under the protection of the United States with the fervour of a new generation of handsome Europeans. Over in a corner, the *Caudillo* heads a sinister gang united only by their common feelings of anti-Communism. The cartoon provides us with an excellent black and white image of Franco Spain's relations with Western Europe.

It is unquestionable that Spain's isolation from international politics in the postwar period is accounted for by the origins and nature of the Franco regime. However, isolation does not, by itself, describe the country's historical reality of that time. The origins and nature of the Franco regime tell us little, if anything, about how the Spanish Administration perceived the various initiatives for European economic cooperation, articulated a response to them and elaborated a policy to manage the negative implications which initially resulted from them. This Thesis focuses its attention on answering a whole host of questions which stem from this area of inquiry. The conventional explanations provided by textbooks and traditional wisdom prove to be inadequate for our purpose. This set of answers were derived automatically from prejudgment, where emotion played in detriment of clear thinking.

If Franco and the *Falange* are replaced by, for example, export commodities, if political diplomacy is checked and complemented by an economic diplomacy, and if we concentrate our investigation on the gap which exists between economic interests and official political declarations, a complex and interesting story emerges: the economic interests of Spain in Western Europe and *vice versa* and the mutual employment of economic tools for political purposes.

It is not only the paucity of prior research in the field that justifies this study, but the insights derived from it will help to provide answers to the broader question of how and why the Franco regime successfully sailed in the ocean of political antipathy after World War II.

"CLEAR OUT! WRONG ADDRESS!"



Evening Standard, 16 March 1948

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In referring to combination of years, the use of an oblique stroke -i.e., 1945/1946- signifies a 12-month period (say from 1 July 1945 to 30 June 1946). The use of hyphen -i.e., 1945-1946- signifies the full period of calendar years covered (say from 1 January 1945 to 31 December 1946). (..) means not available while (-) means none, negligible or entry not applicable.

Note on Tables

It is known that the official Spanish trade statistics, Estadística(s) Española(s) de Comercio Exterior, are not a reliable data source for the 1940s and 1950s.¹ The then existing strict exchange controls gave stimulus to all kinds of illicit foreign currency operations with undeclared holdings by Spanish importers and exporters. An OEEC study estimated that between 1952 and 1957 Spanish exports suffered from an average 22 per cent undervaluation while it was of 25 per cent for imports.² More recently, the existing discrepancy between official Spanish trade figures and the official statistics of Spain's main trading partners has been recalled.³ Since no alternative source to the official trade statistics has been yet produced for the 1940s and 1950s, the following official British, French and German trade figures were used whenever was possible:

- Annual Statement of the Trade of the United Kingdom with the Commonwealth countries and Foreign Countries;

- Tableau général du commerce extérieure, vols. Commerce de la France avec la France d'Outre-Mer et les pays étrangers; and

- Der Außenhandel der Bundesrepublik Deutschland.

The United Nations' Yearbook(s) of International Trade Statistics will provide broader comparative data.

For the sake of simplicity, the expression "Spanish monetary area" means the area covered by the statistics compiled by the central customs office, i.e., the area formed by metropolitan Spain, the Balearic and Canary Islands, Ceuta and Melilla, although it actually included Spanish Morocco, the territory of Ifni, Rio de Oro and Spanish Guinea also.

¹. A first call of attention for the post-1945 period was made by Ramón Tamames: Estructura Económica de España, 3 vols., Madrid [Guadiana] 1960, vol. 2, p. 545.

². Report quoted by Angel Viñas, Julio Viñuela, Fernando Eguidazu, Carlos Fernández Pulgar and Senén Florensa: Política comercial exterior en España (1931-1975), 2 vols., Madrid [Banco Exterior de España] 1979, 2nd vol., pp. 926 ff.

³. i.e., Juergen B. Donges: La industrialización en España. Políticas, logros, perspectivas, Barcelona [Oikos-Tau] 1976, p. 52, footnote no. 13, and Alan S. Milward: "Una comparación del comercio de exportación español, italiano y portugués, 1950-1959", in Leandro Prados de la Escosura and Vera Zamagni (eds.): El desarrollo económico de la Europa del sur. España e Italia en perspectiva histórica, Madrid [Alianza] 1992. Donges estimated (for 1955) 18 per cent undervaluation for Spanish export values and 8 per cent for imports values. Most recently, Antonio Tena Junquito: "Fiabilidad y "comparabilidad" de las estadísticas del comercio internacional 1890-1967", Doctoral Diss., Universidad de Alcalá de Henares, 1990, pp. 11, 54-58, and 98-99, has confirmed this phenomenon and showed that during the period 1947 to 1959, Spanish export trade figures to the Federal Republic of Germany and the United Kingdom suffered from the largest undervaluation since part of the traffic was registered as directed to the Netherlands and Switzerland.

Acknowledgements

This Thesis has been conceived and implemented within the Research Project Challenge and Response in Western Europe: The History of European Integration during my years at the EUI (September 1987-December 1991). My first acknowledgment goes to all its members for providing a stimulating research environment. I would like to thank most precisely Sally Dore, Carl Glatt, Giuliana Laschi, and Lorenza Sebesta for sharing their knowledge, for their direct involvement in improving my research, and for their emotional support when everything seemed to collapse.

I am most especially grateful to my supervisor and Director of the Project, Professor Richard T. Griffiths for his continuous and generous support. His influence on my research (together with my research experience itself) can be rightly appreciated comparing the title of this Thesis with the original research project presented at the EUI in 1987: "L'Espagne face au processus européen d'intégration: 1945-1965. L'Europeisme et l'antieuropéisme espagnol". Thanks are also due to Professors Alan S. Milward (London School of Economics/EUI External Professor), Albert Carreras (EUI), and Manuel Varela (Universidad Complutense, Madrid) who provided very useful comments while reading some of my chapters.

I am grateful to the institutions that financed this research. Spain's Ministry of Foreign Affairs made it possible for me to undertake the first two years of this research at the EUI. A grant from the Erasmus Programme of the EEC Commission allowed me to work in London for three months. The EUI financed research missions to Madrid and Paris, and provided a third year grant in Florence. M. Emile Noël, EUI Principal, kindly financed the essential last four months of writing while in Florence. To all of them I am most grateful. I would also thank to all those who rejected my demands for financial support. To them I owe finishing my Thesis now and not two or three years later.

I would also like to acknowledge the assistance I have received from the staff of the Institute to make life easier. Special mentioning deserve the Secretariat of the History Department, Bonnie Bonis, Angela Schenk and Sergio Amadei who looked after a number of administrative formalities on my behalf; Ken Hulley for excellent arrangements for accommodation and the Library staff, in particular Linda Tieri who helped me to make an effective use of the EUI's microfilm collection. Further acknowledgement goes to Javier Samaniego who prepared my computer with the harsh task of handling this Thesis most efficiently. Unfortunately, he did not forecast viruses. I would like to express my deepest appreciation to Regina Kaiser and Miguel Jiménez who re-typed about one-hundred pages that the Anti-Tel virus destroyed.

I have received very helpful assistance in the different archives consulted for my Thesis, which are listed in a separated addendum. The generous collaboration of the record officers in all the archives visited constitute the only factor that can turned down the tune of *cahier de doléances* of the Archivalia section of this Thesis. I should like to thank all those who found the time and the energy for extensive conversations with the author about important documentary aspects. I am aware that some of them were more disappointed than myself for the little or nil results of my research in their respective documentary collections. Notwithstanding all, I deeply acknowledge their always useful suggestions; their sheer number precludes listing them by name.

I am also indebted to the many people involved at various points in time in correcting the language of this Thesis. Carl Glatt, Siofra O'Leary, and Patricia Hanna worked hard to get sense out of my initial writings, while making very useful suggestions. Whatever mistakes may be left are solely my responsibility. Only two kind of people can really assess the degree of appreciation this paragraph contains: those who have ever tried either to write a Thesis in a language other than his/her or to translate Spanish 1950s administrative language into English. Overlapping both was a nightmare.

Given the difficulties arising from a multiplicity of languages this Thesis has followed a very simple rule: quotations were kept in their original languages if French or English, whilst the rest were translated into English. I expect that possible readers of this Thesis would understand French. In footnotes the original language was kept except for the Spanish, which was translated into English.

I would like to thank Paloma Hernando, Eva Faber, and the Colegio de España for their always warm hospitality while I was in Madrid, London, and Paris. The author would like to acknowledge the support and generous encouragement given to him by many friends during the course of writing this dissertation. Luis Díez-Picazo, Marco Fossati, Edurne Iraizoz, and Sara Tirinanzi deserve special mention. A final and very special saying refers to my family. Concerning my wife it would be unfair not to say that without her this Thesis could have never been written.

The valuable advice of some of the above-listed people and kind encouragement from the rest during the preparation and the final drafting of this Thesis are deeply appreciated. Without the personal contribution of all those mentioned, I would have been certainly not in a position to complete it.

List of Abbreviations and Acronyms

BOE	Boletín Oficial del Estado (Official State Gazette)
CEEC	Committee for European Economic Cooperation
c.i.f.	(inclusive of) cost, insurance and freight
DG.	Directorate General
ECA	Economic Cooperation Administration
ECE	Economic Commission for Europe of the United Nations
ECMT	European Conference of Ministers of Transport
ECOAM	European Conference for the Organisation of Agricultural Markets
ECSC	European Coal and Steel Community
ENSIDESA	Empresa Nacional Siderúrgica, S.A.
EPU	European Payments Union
ERP	European Recovery Program
Eximbank	Export-Import Bank
FNSEA	Fédération Nationale des Syndicats d'Exploitants Agricoles of France
f.o.b.	free on board
IEME	Instituto Español de Moneda Extranjera (Spanish Foreign Exchange Institute)
INI	Instituto Nacional de Industria (Institute of National Industry)
IWA	International Wheat Agreement
JCS	Joint Chiefs of Staff in the United States
JMST	U.S. Joint Military Survey Team to Spain
JUSMG	Joint United States Military Group in Spain
MAAC	Mutual Assistance Advisory Committee
MDA	Mutual Defense Assistance
MDAA	Mutual Defense Assistance Act
MDAP	Mutual Defense Assistance Program
NAT	North Atlantic Treaty
NATO	North Atlantic Treaty Organisation
NSC	National Security Council in the United States
OEEC	Organisation for European Economic Cooperation
PPS	Policy Planning Staff
RENFE	Red Nacional de Ferrocarriles (Spanish Railways State Company)
SWNCC	U.S. State-War-Navy Coordinating Committee
TESG	U.S. Temporary Economic Survey Group to Spain
UN	United Nations
UNRRA	United Nations Relief and Rehabilitation Administration

List of Archival Abbreviations

The archival material for this Thesis was drawn from the following sources:

AC	Archives Contemporaines, Fontainebleau (Contemporary Archives)
MPW	Files corresponding to the French Ministry of Public Works
AD	Archives Diplomatiques, Ministère des Relations Extérieures, Paris (Diplomatic Archives of the French Ministry of Foreign Affairs)
DE-CE	Direction Economique/Coopération européenne (Files on European cooperation from the General Directorate of Economic and Financial Affairs)
Z/E	Series "Europe 1944-1949, Espagne"
Z/EE	Series "Europe 1949-1955, Espagne"
<<Pool Vert>>	Unclassified files containing the French diplomatic records on the Green Pool. No file numbers will be given.
AGA	Archivo General de la Administración Civil del Estado, Alcalá de Henares (Madrid) (General Archive of the Spanish Administration)
MA	Ministry of Agriculture
MC	Ministry of Commerce
MAE	Ministry of Foreign Affairs
AHBE	Archivo Histórico del Banco de España, Madrid (The Historical Archive of the Bank of Spain)
IEME	Instituto Español de Moneda Extranjera (Spanish Institute of Foreign Currency). All AHBE records refer to section 'Foreign Department', and IEME records to 'Secretariat'.
AN	Archives Nationales (French National Archives), Paris
AJ	Commissariat général du Plan de Modernisation et de l'équipement (General Commissariat for the French Plan of Modernisation and Equipment)
F/10	Ministère de l'Agriculture (Ministry of Agriculture)
F/60	Comité économique interministériel (Interministerial Economic Committee)
F/60bis	Secrétariat général du Comité interministériel pour les questions de coopération économique européenne (Interministerial Committee for European Economic Cooperation)
APG	Archivo de la Presidencia del Gobierno, Ministerio de Relaciones con las Cortes, Madrid (Archive of the Presidency of the Government at the Ministry of Relations with Cortes)
JE	Fonds Chief of State

SG	Fonds Minister Under-Secretary to the Presidency of the Government
ASMAE	Archivio Storico Diplomatico, Ministero degli Affari Esteri, Rome (Diplomatic Historical Archive, Italian Ministry of Foreign Affairs)
Amb.	Ambasciata (Embassy)
b.	busta (file)
DGAP	Direzione Generale d'Affari Politici (Directorate General for Political Affairs)
HAEC	Historical Archive of the European Communities, Florence
CEAB	Funds from the ECSC High Authority
CM	Funds from the ECSC Council of Ministers
NSC	Documents from the US National Security Council, at the EUI Microfilm Collection
MAE	Archivo Histórico del Ministerio de Asuntos Exteriores, Madrid (Historical Archive of the Spanish Ministry of Foreign Affairs). All MAE records refer to section 'R' (Archivo Renovado, renewed archives, documents as from 1931 to the present day).
Leg.	Legajo (file)
Exp.	Expediente (dossier)
Carp.	Carpeta (folder)
PRO	Public Record Office, Kew (London)
BOT	Board of Trade
CAB	Cabinet Papers: ER: European Economic Co-operation Committee MAC: Mutual Aid Committee
FO	Foreign Office
MAF	Ministry of Agriculture and Fisheries
PREM	Prime Minister's Office

The collection of American state papers published in the volumes of the Foreign Relations of the United States (henceforth, FRUS) have been used.

Documents are referred to by the abbreviation of the archive or document collection, followed by the reference number of the file; title and date of each document are given. Some documents appeared classified without dates (n/d) and/or signature (n/s). Probable dates and authors have been adopted regarding either their position in the dossiers or content. Whenever a document can be found in different archives, one of which being the Historical Archive of the Spanish Ministry of Foreign Affairs, the reference provided will always be that corresponding to the latter.

For a more detailed account of the different sources above-mentioned see the Archivalia Section of this Thesis.

"Pensez à l'Espagne, un grand pays qui vit
dans un autre monde, à une autre époque.
L'Europe ne doit pas devenir l'Espagne
du monde."

Jean Monnet

"L'Espagne fait partie de l'Europe occidentale.
C'est une vérité dont vous devez et nous devons
convaincre de plus en plus."

Nicolás Franco

1. Declarations to France-Soir's correspondent
in Luxembourg on 22 October 1952, MAE, Leg.
3368, exp. 15: Despatch No. 2024 from the
Embassy in Paris, "Declaraciones de M. Jean
Monnet", 23 October 1952.

2. AD, Z/EE vol. 94: Jacques Dumaine, French
Ambassador to Portugal, to Quai d'Orsay,
"Nicolas Franco et les relations d'Espagne
avec la France", Lisbon, 11 August 1951.

Introduction

The object of this doctoral Thesis is to demonstrate the response of the Spanish Administration, however confused or divided in its objectives, to the various forms in which Western European economic cooperation appeared during the first post-Second World War decade. These responses should be seen as an effort to control the unfavourable and discriminatory economic and political consequences experienced by Spain as a result of the new Western European economic initiatives. This Thesis will present the ongoing interplay of domestic and external forces in the definition of this response and it will further assess the degree of success achieved in establishing a certain measure of basic compatibility between the domestic and international policy strategies.¹

The period discussed herein is considered to have been transitional between autarchy and development. During the first post World War II decade, remnants of the autarchic philosophy were being progressively expelled from the Spanish administrative bodies dealing with foreign economic policy, but the new philosophy of development had not yet fully replaced autarchic thinking. The general hypothesis of this dissertation is that the problems imposed upon the Spanish economy by European economic cooperation served as a catalyst of this transitional phenomenon. Departing from the simplest concept of *interdependence*, it was supposed that the Western European States, in moving toward closer economic cooperation, imposed costs on the Spanish economy and that the Spanish Administration, within its limited capacity as an outsider, articulated a policy

¹. This specific approach is owed to the following publications: Peter J. Katzenstein (ed.): Between Power and Plenty. Foreign Economic Policies of Advanced Industrial States, Madison [The University of Wisconsin Press] 1978; Angel Viñas, Julio Viñuela, Fernando Eguidazu, Carlos Fernández Pulgar and Senén Florensa: Política comercial exterior en España (1931-1975), 2 vols., Madrid [Banco Exterior de España] 1979; Alan S. Milward: Reconstruction of Western Europe 1945-51, London [Methuen] 1984 [all throughout the Thesis this book will be always called to its University Paperback ed. 1987]; and, Richard T. Griffiths (ed.): The Netherlands and the Integration of Europe 1945-1957, Amsterdam [NEHA] 1990. All of them make emphasis on the interaction between domestic strategy for economic development and the State's foreign action. In a more direct way the author owes this approach to the EUI Research Project "Challenge and Response in Western Europe: The History of European Integration". For Viñas et al., the only of the above mentioned titles which deals with Spain, to share approach does not mean at all to share their conclusions. This Thesis will be, at crucial points, their contradiction.

response in an attempt to avoid having the burdens of adjustment forced upon it.²

Foreign economic policy is interpreted here as the interaction between the domestic strategy for economic development and the State's instruments for foreign action (foreign and commercial policies). In this line, this doctoral dissertation stays on the edge of the international connections of an inward-looking economy. Spain's exports assured the supply of a very limited range of products which turn to be strategic from all points of view: economically since otherwise the economy does not run; politically since the economic effects produce malcontent and therefore a nice bed for political turmoil; and militarily because without economic development and political stability there is no possible defence policy. The desire of the Spanish Administration for economic nationalism was based on the idea that Spain could stand alone but their emphasis on industrialisation effectively increased, rather than diminished, Spain's reliance on imports. In these circumstances, Western Europe was a main concern for the Spanish Administration since it represented the country's main trading area.

That trade with OEEC countries constituted a high proportion of total Spanish trade (see bold figures in tables 1 and 2) constitutes the first of several commercial features important to retain for understanding future arguments in this work. A second feature is the growth of trade between 1947 and 1955: imports grew by 15.2 per cent while exports grew by 105.7 per cent. A third important element is the stability of the Anglo-Saxon countries as Spain's main single trade partners: the United Kingdom and the United States accounted for 23 per cent of Spain's overall imports on average between 1947 and 1955 (against 27.65 per cent in 1935, just before the outbreak of civil war) and for 29 per cent of its exports during the same period (against 32 per cent in 1935). A final feature is that the post-World War II years brought important disruption of the pre-Civil War pattern, which was finally recovered during the fifties.

². Interpretation of interdependence from Robert O. Keohane and Joseph S. Nye, Jr.: "Power and Interdependence revisited", International Organization, vol. 41, no. 4, Autumn 1987, pp. 723-53, p. 730. This article is a reassessment of their Power and Interdependence, Boston [Little Brown] 1977.

TABLE 1
SPAIN'S IMPORT TRADE BY PRINCIPAL COUNTRIES OF PRODUCTION
IN PERCENTAGES OF TOTAL IMPORTS, 1935-1955

Year	1935	1947	1948	1949	1950	1951	1952	1953	1954	1955
TOTAL(%)	876.1	1214.5	1483.0	1399.4	1195.1	1307.5	1752.6	1837.9	1882.1	1399.4
Austria					*	*	0.50	0.55	0.43	1.26
Belg-Lux.	3.61	2.64	2.49	2.73	2.60	3.88	2.71	2.36	2.87	4.49
Denmark	*	0.54	0.89	1.81	1.30	2.78	2.03	1.45	1.19	2.14
France	5.79	0.08	0.63	6.33	7.86	9.57	9.24	10.27	8.70	14.66
Germany (→)	14.02	0.17	0.02	0.88	4.13	4.54	9.12	11.60	11.27	13.70
Ireland	*	0.04	0.15	0.19	0.19	0.44	0.59	0.19	0.36	0.44
Italy	3.33	1.47	1.53	1.82	1.08	0.96	2.10	2.35	1.80	3.25
Netherlands	3.63	2.30	2.61	3.06	2.39	2.71	2.93	2.20	3.03	4.42
Norway	*	0.58	1.29	1.74	1.74	1.73	1.98	1.63	1.82	2.31
Portugal	0.44	0.77	0.55	0.44	0.59	0.78	0.14	0.21	0.53	0.35
Sweden	2.86	2.08	2.70	2.29	2.23	2.17	2.80	4.62	2.72	3.54
Switzerland	2.25	2.40	2.55	2.94	1.78	2.55	1.95	2.70	3.12	4.51
Turkey	*	0.38	0.20	0.08	0.12	0.22	0.12	2.01	2.88	0.69
U.K.	10.87	6.34	11.95	8.35	7.10	8.55	10.09	10.33	10.35	13.74
O.E.E.C.	46.8	19.79	27.56	32.66	33.11	40.88	46.30	52.47	51.07	69.50
Arabia	*	*	3.65	*	*	*	8.37	7.91	7.63	11.43
Argentina	2.51	21.31	26.84	13.43	2.68	2.46	1.19	1.52	0.61	0.21
Brazil	0.42	8.32	8.00	8.62	3.27	0.95	0.85	1.68	2.15	6.29
U.S.A.	16.78	8.84	6.99	8.97	13.19	15.98	16.64	5.84	18.36	25.07

Source: United Nations: Yearbook(s) of International Trade Statistics. Each year has been listed from the yearbook which incorporated the last updating, i.e. years 1935 and 1953 from YITS 1956, 1947 from YITS 1950, 1948 from YITS 1957, 1949 from YITS 1951, 1950 YITS 1952, 1951 from YITS 1953, 1952 from YITS 1955, 1954 from YITS 1958, and 1955 from YITS 1959. Data for 1945 and 1946 is not available. (%) Value in millions of gold-pesetas. It includes gold and excludes trade with Canary Islands, Ceuta, Melilla, Spanish Morocco and Spanish Guinea. (→) Listed as Federal Republic of Germany since 1950 (*) Figure not available. (-) Category not applicable.

On import trade, the 1935 status was altered between 1946 and 1949 by massive imports from Argentina and Brazil, which were entirely unrequited by Spanish exports to both countries. The deficit with Argentina was caused by import of cereals, something directly ascribable to domestic policies responsible for the decline in agricultural production. After 1950, the South American *interregnum* ended and the United States, the United Kingdom, France and Germany returned to be main suppliers of the Spanish economy, amounting to (on average) 45 per cent of total Spanish imports between 1950 and 1955 as compared to 47.5 per cent in 1935. Leaving aside the steep rise of

agricultural imports on credit from Argentina, there was a greater shift in Spanish imports than in exports, reflecting and affecting the changes in internal economy.

In terms of volume, imports had decreased after 1948 and only started to increase after 1952 maintaining altogether a level lower than 1935 until the 1960s. Regarding import commodity composition, foodstuffs finally reduced, after 1949, their high percentage to a level lower than pre-Civil War, going from 30 per cent on average in 1946-1949 to 12 per cent in 1950-1955. The diminution of imports of foodstuffs freed important financial resources to purchase other categories of goods. Manufactured goods and raw materials maintained during 1950-1955 an average percentage of 46 and 40 per cent, respectively (while they had been 36 and 35, respectively, in 1946-48). Investment goods, i.e., metals and their manufacture, machinery, pieces of equipment and vehicles (class IV and V of the Spanish Tariff), increased their share in total imports (from 16 per cent in 1946-48 to 27 per cent in 1949-1955). The per capita value of these imports, at constant prices, maintained at the level of 6.2 Ptas during the 1940s, passed to be 18.3 Ptas in 1950-55.³ This important investment effort -frequently referred to as *strategic*- should attract more attention than the little quantitative importance of the country's trade in terms of GDP.⁴

The recovery of the pre-Civil War export trade pattern, in terms of destination, could only be completed in 1952 due to the late incorporation of Germany. However, excluding the latter and the year 1947, when trade across the Franco-Spanish border was still interrupted, the United Kingdom, the United States and France reappeared as main markets for Spanish export commodities in 1948. Even after the disappearance of the German market, which during the period between 1941 and 1945 received 30 per cent of Spain's total exports, a full 57 per cent of Spain's exports were directed towards markets

³. Manuel de Torres (director): "El Comercio Exterior y el desarrollo económico español", Información Comercial Española, no. 328, December 1960, pp. 18-56, p. 34.

⁴. i.e. Banco Urquijo: La economía española en 1952-53, Madrid, 1954, p. 13. For a concise exposition of the long debate previous to and during the first years of the Franco era, see Enrique Fuentes Quintana: "¿Es aplicable a España la teoría keynesiana?", in Román Perpiñá Grau: De estructura económica y Economía hispana, Madrid [Rialp] 1952 [1935], pp. 417-49, in particular pp. 432-33.

in Western Europe in the years between 1947 and 1950. From 1951 to 1955, the OEEC countries (especially Germany) received 55.7 per cent of Spain's total exports, against 65.4 per cent in 1935. Following the pre-Civil War pattern, Spanish foreign trade maintained a strong concentration on the European front and OEEC countries provided Spain with its major trading surplus with any area. With no other means to finance imports than exports, Spanish exports to Western Europe provided sufficient financial fuel to prevent a collapse of the Spanish economy.

TABLE 2
SPAIN'S EXPORT TRADE BY PRINCIPAL COUNTRIES OF LAST CONSIGNMENT
IN PERCENTAGES OF TOTAL EXPORTS, 1935-1955

Year	1935	1947	1948	1949	1950	1951	1952	1953	1954	1955
TOTAL(%)	569.7	664	821.7	886	947	1524.5	1402.5	1478.9	1421.6	1366.0
Belg-Lux.	5.14	6.61	4.44	3.97	4.13	4.93	3.35	2.99	2.76	3.19
Denmark	*	1.90	1.35	3.23	3.75	1.65	1.68	1.80	1.65	1.66
France	12.11	0.0	6.96	14.10	8.34	7.91	10.49	7.84	6.77	8.05
Germany (F+)	13.13	0.59	1.01	3.23	2.89	5.54	9.00	13.00	11.06	14.53
Italy	3.44	6.23	3.46	2.70	1.67	1.65	2.25	1.30	1.48	2.05
Netherlands	5.28	7.41	4.58	5.02	3.54	5.15	3.85	3.61	3.51	4.65
Norway	*	1.45	2.24	2.96	2.21	1.60	2.04	2.28	1.85	2.09
Sweden	1.51	3.06	5.04	4.37	3.42	2.77	3.74	3.08	2.71	2.53
Switzerland	2.32	4.31	6.84	4.42	2.59	3.27	3.36	3.91	4.04	3.58
U.K.	22.47	19.50	22.86	20.77	18.61	19.99	17.59	15.65	16.64	16.30
O.E.E.C.	65.40	51.06	58.78	64.77	51.15	54.46	57.35	55.46	52.47	58.63
Argentina	5.56	6.90	3.57	3.02	3.90	0.75	0.33	0.06	0.36	0.23
Brazil	0.63	1.61	1.81	1.99	1.85	1.01	0.41	1.78	2.57	5.50
U.S.A.	9.50	8.23	9.36	5.74	15.27	13.28	10.59	10.66	10.45	10.50

Source: see table 1.

The questions raised by this Thesis could not be satisfactorily answered from a purely political point of view, which hardly considers the economic reality of foreign relations. By taking a broader look at these areas of inquiry, this Thesis attempts to provide a new direction for research in post-1945 Franco Spain's international relations.⁵

⁵. Because documentary records were not accessible, research into Franco Spain's international relations started only recently in a sort of revival, warmly welcome as "the end of lethargy" by E. Fuentes: "L'histoire des relations internationales en Espagne: la fin de la léthargie", *Relations internationales*, no. 42, Summer 1985, pp. 183-86. Other authors deal with this revival of the Spanish diplomatic history: 1/ Victor Morales Lezca- no:

The scarce historiography on Spain's foreign policy, foreign economic policy and international relations, leads us to believe that Franco's Spain paid little attention to or was incapable of formalising a response to the integrative initiatives taking place in Western Europe during the late 1940s and the first half of the 1950s. There are two possible explanations accounting for the historical gap in research on this period. First, the traditional historiographical procedure had been to jump from the end of the Second World War to the 1953 Spanish-American military bases agreement, quickly arriving at the most obvious feature of Spain's return to international affairs, i.e., the *strategic factor*. Second, the non-existence of a European dimension in Spain's foreign action is a strongly adhered-to belief.

Researchers examining Spain's foreign policy have only minimally questioned traditional accounts given by Alberto Martín Artajo, Spain's Minister of Foreign Affairs at the time, and Franco himself in many of their public statements.⁶ That is to say, it was customarily suggested that Spain's foreign policy activities of the time centered around five principal areas. 1) The *Spanish question* before the United Nations: between 1946 and 1950 the United Nations entered into a debate as to which measures might best be

a) "Las relaciones internacionales de España con sus vecinos mediterráneos. (Una revista de libros)", Revista Estudios Internacionales, vol. 4, no. 3, 1983, pp. 543-51; b) "Les relations d'Espagne avec ses voisins", Relations internationales, no. 37, 1984, pp. 141-47; c) "La rehabilitación de un campo de estudios", Revista de Estudios Internacionales, vol. 6, no. 3, 1985, pp. 665-70; and, d) "Historia de las relaciones internacionales: España contemporánea. (Notas de Lecturas)", Revista de Estudios Internacionales, vol. 7, no. 2, 1986, pp. 575-82. 2/ Juan Carlos Pereira Castañares: a) "Reflexiones sobre la historia de las relaciones internacionales y la política exterior española", Cuadernos de Historia Moderna y Contemporánea, no. 8, 1987, pp. 269-89; b) "Franquismo y Democracia: el desconocimiento de dos historiografías contemporáneas", in Españoles e Italianos en el Mundo Contemporáneo, Madrid, 1990, pp. 309-18; and, c) with Angel Cervantes Conejo: "La política exterior del franquismo: un reto para la historiografía española", Cuadernos de Historia Contemporánea, no. 12, 1990, pp. 175-82. 3/ Marco Mugnaini: "Recenti studi sulla politica estera della Spagna contemporanea", Storia delle Relazioni Internazionali, 1989, no. 2, pp. 371-85. Actually there are more articles published in the 1980s pointing out a revival in the field than publications to prove it!

⁶. Franco to Cortes on 17 May 1952, cit. in Juan Pablo Fusi: Franco. Autoritarismo y poder personal, Madrid [El País] 1985, p. 110. Compilations of Franco's public statements to be found in chapter 1, footnote no. 5. For Alberto Martín Artajo see the articles written after his dismissal: a) "Las constantes de nuestra política exterior", Arbor, nos. 151-52, July/August 1958, pp. 336-46; b) "Política Exterior de España (1898-1960)", text of a speech pronounced by Artajo on 24 March 1960 in the University of Georgetown, Washington D.C., and c) "L'Espagne et ses Relations internationales", Synthese, no. 199, December 1962, pp. 159-67.

adopted in order to secure a change in the Spanish regime, then regarded as the last vestige of Fascism. 2) In an attempt to break out of diplomatic isolation, the Franco regime cultivated close foreign relations wherever it could. Relations with the Arab and Latin American nations had the main purpose of giving a world-wide dimension to Spain's foreign policy. 3) Relations with Portugal materialised in form of the Iberian Pact. Although the efficiency of the Pact is still questionable, it did serve to counter-balance - in domestic public opinion terms- the rest of the Western European pacts. 4) The signing of the Concordat with the Vatican in August 1953 provided an important ideological backing to Spain in its isolation. Finally, 5) Spain's preparations for the bilateral military-economic agreements with the United States, which took place in September of 1953, remained the pillar of Spain's foreign policy, representing considerable propaganda and material success for the Spanish government of the time. According to previous research efforts, Spain's foreign action of the period in question seems to have been limited to these areas.⁷

⁷. These are the main issues before and after the opening of the Spanish records during the 1980s: José Mario Armero: La Política Exterior de Franco, Barcelona [Planeta] 1978; Charles R. Halstead: "Spanish Foreign Policy, 1936-1978" and the rest of the contributions in James W. Cortada (ed.): Spain in the Twentieth-Century World. Essays on Spanish Diplomacy, 1898-1978, London [Aldwych Press] 1980, pp. 41-94; Angel Viñas: a) Los pactos secretos de Franco con los Estados Unidos. Bases, ayuda económica, recortes de soberanía, Barcelona [Grijalbo] 1981, and b) "La política exterior del franquismo", in Juan Bautista Vilar (ed.): Las relaciones internacionales en la España Contemporánea, Murcia [Servicio de Publicaciones de la Universidad de Murcia] 1989, pp. 115-24; Pereira: Introducción al estudio de la política exterior de España (Siglos XIX y XX), Madrid [Akai] 1983; Francisco Aldecoa Luzarraga: a) "La política exterior de España en perspectiva histórica, 1945-1984. De la autocracia al Estado de Derecho", Sistema. Revista de Ciencias Sociales, no. 63, 1984, pp. 111-31, and b) "Las relaciones bilaterales hispano-portuguesas en perspectiva histórica, 1945-1978" in Guy Clausse and M^a. do Céu Esteves (eds.): As relações luso-espanholas no contexto da adesão à C.E.E., Lisbon [Instituto de Estudos para o Desenvolvimento] 1987, pp. 75-100; Paola Brundu Olla: a) Ostracismo e Realpolitik. Gli Alleati e la Spagna franchista negli anni del dopoguerra, Cagliari [Celt Editrice] 1984, and b) L'Anello Mancante. Il problema della Spagna franchista e l'organizzazione della difesa occidentale (1947-1950), Sassari [Università degli Studi di Sassari] 1990; Víctor Morales Lezcano: a) "Les relations de l'Espagne avec ses voisins", Relations internationales, no. 37, 1984, pp. 141-47, b) "L'Espagne, de l'isolationnisme à l'intégration internationale", Relations Internationales, no. 50, Summer 1987, pp. 147-55, and, c) "L'Espagne des années de la guerre et son isolement d'après-guerre (1939-1953)" in La Moyenne Puissance au XXème Siècle, Paris, 1988; Florentino Portero: a) "Política exterior española, 1945-1953", Proserpina, no. 1, 1984, pp. 161-74, and b) Franco Aislado. La cuestión española (1945-1950), Madrid, 1989; Antonio Marquina Barrio: España en la política de seguridad occidental (1939-1986), Madrid [Servicio de Publicaciones del Estado Mayor del Ejército] 1986; Benny Pollack: The Paradox of the Spanish Foreign Policy. Spain's International Relations from Franco to Democracy, London [Pinter Publisher] 1987; Manuel Espadas Burgos: Franquismo y política exterior, Madrid [Rialp] 1988; and, finally, the edited Ph.D.Diss. of Lorenzo Delgado Gómez-Escalonilla: Diplomacia franquista y política cultural

Given Spain's strong economic dependence on European markets, it is clear that its foreign policy had a European dimension. This doctoral dissertation intends to demonstrate that Western European post-war institutional economic reorganisation was at the forefront of the Spanish Administration's economic and political concerns. Although this was an important aspect of Spain's foreign policy, it was less colourful and certainly not as suitable for use in statements to the press, parliamentary Cortes, or popular gatherings. Obviously, Franco's Administration was not about to place Western Europe at the top of its list of priorities while the Western European governments were not cordial in political terms. However, Western European economic reorganisation constituted the essential point of departure for Spain's post-1945 foreign policy and, most especially, foreign economic action.

This research addresses the previously described area of inquiry from two perspectives: challenge and response. From the first perspective, it attempts to reconstruct the Spanish Administration's perception of the various institutional arrangements, considered in this Thesis, in which European integration manifested itself. Implications for the development of Spanish strategies for domestic economic and foreign action will be also explored. From this point of view we can see how the concept of an objective national interest is altered when the various perceptions of national interest are challenged through interaction with the outside world. From the second perspective, this research examines the policies which the Spanish Administration formulated in an effort to adjust to newly created circumstances. Included in this analysis are: an in-depth examination of the set of policy options available at the time, the State's room for action and the policy-makers and the policy-making process. Information is presented and examined from these two perspectives, although overlap is inevitable and a clear line of distinction could hardly be drawn.

The actions of the central Spanish Administration of the time period in question

hacia Iberoamérica, 1939-1953, Madrid [Centro Superior de Investigaciones Científicas] 1988. This perspective is common also to books covering the entire Franco period: José Antonio Biescas and Manuel Tuñón de Lara: España bajo la dictadura fascista (1939-1975), Barcelona [Labor] 1980; Stanley G. Payne: The Franco Regime, 1936-1975, Madison [University of Wisconsin Press] 1987; and, Javier Tusell: La dictadura de Franco, Madrid [Alianza] 1988.

is the principal focus of this research. The domestic players responsible for shaping the foreign economic options of Spain were necessarily limited to include the inner circles of the State Administration dealing with foreign matters: top civil servants, ministers and Cabinet members. The effect that pressure and interest groups or that any other actors of possible influence had on swaying official Spanish positions has proven either to be insignificant or too difficult to determine given the state of public records.⁸ The hypothesis underlying this line of approach is that the Spanish Administration was far from a monolithic entity.

The first chapter introduces the main Spanish actors of the story and explains the mechanics of foreign economic policy as it stood in 1947. The objective of this chapter is to show how the principle of *unity in foreign action* was elaborated over time. Given that further examples of administrative conflict will be encountered in later events covered herein, this chapter provides an indispensable tool for subsequent analysis. The purpose of the second chapter is to describe early post-Second World War reconstruction efforts and Spain's role in them. A thorough understanding of the immediate post-war experience with Spain's attending economic contribution to European relief and reconstruction efforts, is essential to appreciate the Spanish Administration's response to later events of European economic cooperation. The third chapter will explain the circumstances and consequences of Spain's exclusion from the European Recovery Program. The relative importance of Spain's subsequent *American connection* will be presented in chapter four.

The following chapter examines large frameworks of cooperation such as the Organisation for European Economic Cooperation and the European Payments Union. Three case-studies will be presented for the purpose of determining how the early forms of European multilateral economic cooperation affected Spain's trade performance: the United Kingdom, France and Germany, Spain's foremost commercial partners in Europe.

⁸. The experience with the Socialist Party in exile and agricultural organised groups, leads to this conclusion. See my "The Spanish Socialists and the European Question in the Decade of the 1950s", EUI Colloquium Paper no. 312/88 (Col 73), November 1988, and "Spain and the Green Pool: Challenge and Response, 1950-1955", EUI Colloquium Paper no. 312/90 (Col 46), November 1990. For the state of public records see Archivalia section.

Chapter six deals with the impact on the Spanish economy of the first of the European Communities, that is, the European Coal and Steel Community. Moreover, in chapter seven, we will look at attempts that were made to extend integration to other economic sectors that failed to set up some form of multilateral institutional structure, such as agriculture and transport. The questions this research aims to answer are thus new and relevant in Spanish historical terms.⁹

This research claims to have also room within the general literature on European cooperation and integration, in which Spain is rarely mentioned. In the past, research priority in the field was rightly focused on countries directly involved in establishing institutional arrangements designed for purposes of European economic cooperation or integration. The main concern of this research is the effects of these institutional arrangements on the most peripheral country in Western Europe with regard to European cooperation. Because Spain did not belong to any institution of a European scope until the late 1950s, it has been excluded from preceding analyses. However, a country's lack of participation in institutional arrangements does not prevent these very institutions from affecting its economic structure and political circumstances. Even though Spain did not participate in European economic agreements, it was affected by them because of its role in the European pattern of trade. A minor part, perhaps, but nevertheless a role. This research suggests that more explicit attention should be paid to the experience of those countries not directly involved in the institutional arrangements of regional integration and

⁹. Two titles constitute the specific literature on this Thesis' topic. Juan Ortega Galán: "Proceso de aislamiento e incorporación de España a la organización internacional (1944-1959). Factores que ejercieron mayor influencia. Consideración específica de la incorporación a la OECE", Doctoral Diss., Universidad de Barcelona Law School, May 1978, written without the benefits of public records. Luis Antonio Buñuel Salcedo: "España y la idea de Europa (La Política Europea de España 1945-1958)", 2 vols., January 1986, a never published Report for the European Studies Programme of the Joan March Foundation and accessible exclusively at the Foundation's Library, used a much limited range of sources than the present Thesis. The literature written contemporarily to the events described here is limited to Estudios sobre la unidad económica de Europa, 9 vols., Madrid [Estudios Económicos Españoles y Europeos S.A.] 1951-1961. These Estudios, edited during the period 1951-1961, consist of a compilation of studies of economic sectors from the perspective of their integration in a perfect European economic union. They were directed by José Larraz, former Minister of the Treasury in Franco's second Government (August 1939/May 1941), a convinced phalangist who turned out later on to be an equally convinced supporter of a Federal Europe. Other published works with an exclusive ideological standpoint are not considered here.

international interdependence. This is an additional historiographical justification for the present research.

It is important to note that this Thesis will not deal with defence agreements and their economic effects. Relevant forms of European cooperation, such as the Western European Union (Brussels Treaty of 17 March 1948), the North Atlantic Treaty (signed in Washington on 4 April 1949) and the European Defence Community (launched in May 1952 and put an end to in August 1954 by the French National Assembly), are out of its scope. This Thesis also excludes from its consideration the military considerations involved in the bilateral agreement for military bases with the United States which was signed in September 1953. Without access to records of the Spanish Ministry of Defence, only direct access to official records of the United States could have provided a clear understanding of the particular set of circumstances in which Spain's incorporation into the Western European defence strategy was conceived and finally emerged. Another element conscientiously omitted from consideration by this Thesis was the Council of Europe (whose Statute was signed in London on May 5th, 1949) because of its minimal influence in the modification of Spain's course of foreign action.¹⁰

¹⁰. Emilio Muñoz Alemany: El proceso de integración de España en el Consejo de Europa, Granada [Universidad de Granada] 1989. For a contemporary ideological perception of the Council of Europe by the semiofficial Spain's observer to the inaugural session of its Assembly in August 1949, see Ernesto Giménez Caballero: a) L'Europe de Strasbourg. Vision espagnole du problème européen, Strasbourg [Heintz] 1950, translated as La Europa de Estrasburgo (Visión española del problema europeo), Madrid [Instituto de Estudios Políticos/Gráficas González] 1950, and b) Informe sobre el Consejo de Europa en Estrasburgo (Durante su segunda reunión, 7 al 28 de Agosto de 1950), Madrid [Ministerio de Asuntos Exteriores] 1950, both to be found in Spain's National Library, Madrid.

Chapter 1:

POLITICS OR ECONOMICS? THE ADMINISTRATION OF FOREIGN ECONOMIC POLICY AS ESTABLISHED BY 1947

1.1. Introduction	p. 15
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"The State's attitude in the economic field developing in contact with the foreign world is one and, as such, unity must be conducted and administered." July 1946¹

1.1. Introduction

The present chapter has the purpose of showing how foreign economic policy was administered by 1947 when European economic cooperation on a multilateral scale began with the launching of the European Recovery Program. A clear image of the machinery of foreign economic policy-making constitutes a necessary tool when analysing the issues with which the following chapters will be concerned. This chapter intends to provide a picture of who the policy-makers were and their general perceptions on the best way to run the nation's foreign economic policy. It will show how the Spanish Administration was far from constituting a monolithic entity to execute the guidelines imposed from the higher political spheres of the regime. This chapter will reveal the struggle existing among the different Ministries to gain control over the nation's foreign economic policy. Finally, this chapter will also describe the national and international factors that constrained and shaped the evolution of the various administrative re-organisations that attempted to handle the foreign economic relations of the nation more effectively. The way this

¹. MAE, Leg. 4618, exp. 22: "Nota relativa a los problemas que se plantean en la Subsecretaría llamada de Comercio, Política Arancelaria y Moneda", Saint Sebastian, 29 July 1946, n/s, probably drafted by the Director General of Economic Policy, Ministry of Foreign Affairs, for his Minister.

machinery, at different stages, influenced the issues concerning Spain's relationship to the various forms of formalised European interdependence and how the positions adopted by the various policy-makers had to accommodate to specific domestic and international affairs will be shown throughout the Thesis.

This chapter has not followed any of the multiple theoretical approaches to the study of policy-making in foreign policy. The bureaucratic politics approach was of little use for this chapter since the study of all its requirements was completely impossible to fulfil. The lack of research in many aspects of this field, the lack of documentary information and, most especially, the aim to determine the administrative machinery involved and not the policy outcomes, made its use here of little effect. Most of the theoretical approaches to policy-making concentrate on single processes limited in time. This thesis covers quite a long range of items in a decade, making it therefore impossible to go into such detail as required in the different theoretical models. This is an ad-hoc case-study with difficult extendibility to other studies. There will certainly be other systems in which an element qualifying this case may appear but not the others and always with a different intensity. This chapter is based simply on the basic idea that the Spanish Administration could not be an unified and single actor but a complex and compartmentalised machine. The administrative definition regarding foreign economic policy could not be the result of one man's efforts but instead of internal bargaining within the entire Administration.²

1.2. The Higher Level of Policy-Making

Foreign policy, as a set of actions and decisions, is the instrument chosen by the Government to deal with the outside world. During the early period of the Franco regime

². Recent criticisms of policy-making theories from historians are Marlis G. Steinert: "La décision en matière de politique étrangère: un essai sur l'utilisation de théories pour l'étude des relations internationales", in Enjeux et Puissances. Pour une histoire des relations internationales au XXe siècle. Mélanges en l'honneur de Jean-Baptiste Duroselle, Paris [Publications de la Sorbonne] 1986, pp. 69-82; and J. Garry Clifford: "Bureaucratic Politics", The Journal of American History, vol. 77, no. 1, June 1990, pp. 161-68.

this field was dominated exclusively by the Ministry of Foreign Affairs where political elements constituted its main input. Commercial policy constituted a rather limited concept for the Spanish Administration, referring to the administrative aspect of foreign economic relations. The Ministry of Industry and Commerce was the instrument selected to deal with this second field. The combination of both spheres, foreign policy and foreign economic relations, constitutes the State's foreign action. The interaction between domestic strategy for economic development and the State's foreign action constitutes the State's foreign economic policy.³

³. What studies dealing with the formulation of policy-making in the Franco period have to offer is of very little help when dealing with foreign economic policy for the period 1945 to 1955. The literature is mainly concerned with the post-1957 period when the major economic turning point in the Franco period occurred: Charles W. Anderson: The Political Economy of Modern Spain. Policy Making in an Authoritarian System, Madison [The University of Wisconsin Press] 1970; Kenneth N. Madhurst: Government in Spain. The Executive at Work, Oxford [Pergamon Press] 1973; Manuel Jesús González González: a) "Los economistas en el preludio de la planificación indicativa", Investigaciones económicas, no. 6, May-August 1978, pp. 121-56; and b) La economía política del franquismo, 1940-1970. Dirigismo, mercado y planificación, Madrid [Tecnos] 1979; Richard Gunther: Public Policy in a No-Party State: Spanish Planning and Budgeting in the Twilight of the Franquist Era, Berkely [University of California Press] 1980; and Javier Tusell: La dictadura de Franco, Madrid [Alianza Editorial] 1988, pp. 214 ff. For the political personnel of Franco's administration, Equipo Mundo: Los 90 Ministros de Franco, Barcelona [Dopesa] 2nd ed., 1970; Carles Viver Pi-Sunyer: El personal político de Franco (1936-1945), Barcelona [Vicens Vives] 1978; and Miguel Jerez Mir: Elites políticas y centros de extracción en España, 1938-1957, Madrid [Centro de Investigaciones Sociológicas] 1982, pointing to the bureaucracy as an important element in the regime's political elite, although unfortunately not as disaggregated as might be desired. All the above-mentioned works are scarcely based on archival sources. Angel Viñas is the only scholar who has paid attention to foreign economic policy-making for the period of our concern. His works constitute an important secondary source in the matter. A. Viñas, Julio Viñuela, Fernando Equidazu, Carlos Fernández Pulgar, and Senén Florensa: Política comercial exterior en España, 1931-1975, 2 vols., Madrid [Servicio de Estudios Económicos del Banco Exterior de España] 1979, constitutes an excellent result of limited access to the public archives and a still valid reference to the Franco regime's commercial policy. The bureaucratic phenomenon of infighting was later developed by Viñas: a) "La conexión entre autarquía y política exterior en el primer franquismo (1939-1959)", Revista de Estudios Internacionales, vol. I, no. 1, January-March 1980, to be found in Viñas: Guerra, dinero, dictadura. Ayuda fascista y autarquía en la España de Franco, Barcelona [Crítica] 1984, pp. 205-37; b) "La administración de la política económica exterior en España, 1936-1979", Cuadernos Económicos de ICE, no. 13, 1980, pp. 157-272; c) Los pactos secretos de Franco con los Estados Unidos. Bases, ayuda económica, recortes de soberanía, Barcelona [Grijalbo] 1981; and d) "La política exterior española durante el franquismo y el Ministerio de Asuntos Exteriores", Cuenta y Razón, no. 6, 1982, to be found in Guerra, dinero, dictadura, cit., pp. 265-87. Spain's diplomatic historians seem to pay no attention at all to the subject, apart from its most obvious features. Most recently the Diplomatic School and the Under-Secretary of the Ministry of Foreign Affairs financed an ambitious research project in this field, "La Administración Exterior del Estado: estructura, funcionamiento y análisis comparado", directed by Juan Carlos Pereira from the Department of Contemporary History, Universidad Complutense, Madrid. Its first phase ran from October to June 1991 without any apparent publication as yet.

Although this research focusses on the Administration as the main actor, the fact that the literature has always stressed that political and economic guidelines were designed by the Chief of State himself could not be avoided. Generalissimo Francisco Franco Bahamonde, victor of the civil war by the Grace of God, was Head of the State, Prime Minister, Commander in Chief of the Armed Forces and Chief of the Falange Party.⁴ He ruled the nation without being himself subject to rules. He had to answer for his actions only to the Almighty. The degree of power held by Franco was therefore immense.

The problem is to determine how this power was translated into the daily bread and butter of policy-making. When he intended to determine the policy guidelines for the Spanish Administration, he remained imprecise and vague, if not contradictory. Franco's numerous public statements widely quoted in the literature cannot be interpreted by any

⁴. See Medhurst, op. cit., pp. 55 ff. for the most revealing items of legislation in relation to the legal basis of Franco's political system and personal power. For the text of the Decree 138/1936 of 29 September, and of Laws of 30 January 1938 and 8 August 1939 conferring on Franco full powers and in force during the entire Franco period, as it was stated by the First Transitory Disposition II of the Organic Law of the State, 1 January 1967, see Jorge de Esteban (ed.): Las Constituciones de España, Madrid [Taurus] 1981, pp. 221-29, and 264. For a concise and brilliant biography of Franco, Juan Pablo Fusi: Franco. Autoritarismo y poder personal, Madrid [El País] 1985, published in English as Franco. A Biography, London [Unwin Hyman] 1987. The Prime Minister in Spain is called the President of the Government, and Council of Ministers and Government are synonym expressions in the Spanish Law, Aurelio Guaita: El Consejo de Ministros, Madrid [Publicaciones de la Secretaría General Técnica de la Presidencia del Gobierno] 1959. Article 3 of the Law of 8 August 1939 suppressed the figure of Vice-President of the Government. Franco remained his Prime Minister until 1973 when he handed the job over to Admiral Carrero Blanco. Luis Carrero Blanco (1903-1973), active Navy officer during the Spanish Civil War was appointed to the Under-Secretariat to the Presidency of the Government (Secretary of the Cabinet Council) in May 1940 as well as Falange National Adviser. The Under-Secretary's tasks were to prepare the meeting of the Council of Ministers and the different standing or ad hoc Cabinet Committees (Comisiones Delegadas del Gobierno). Under Article 4 of the Decree-Law of 19 July 1951, the Under-Secretariat was elevated to the category of Ministry, apart from the Secretariat of the Council of Ministers, hereafter remained in power. In 1967 he was appointed Vice-President of the Government without resigning as Minister Under-Secretary. In 1973 became President of the Spanish Government; in December he was assassinated by the Basque terrorist group ETA. He had declared himself to be "a man totally identified with the political work of the Caudillo. My loyalty to his person and his work is complete, transparent, and pure, without any shadow of private reservation or blemish of mental reserve." cit. in Jesús Ynfante: La prodigiosa aventura del Opus Dei, Paris [Ruedo Ibérico] 1970, p. 175. The political thinking of the so-called Franco's alter ego could be assessed reading through the pages of Luis Carrero Blanco: Discursos y escritos 1943-1973, Madrid [Instituto de Estudios Políticos] 1974.

means as policy directives.⁵ This might be due to the state of the Spanish archives where the sources corresponding to the Chief of State in public record offices are very few.⁶ The few traces which could be found in the archives do not bring further clarification on this point.⁷

The limited research carried out for this Thesis tends to point to the idea of a set of principles forming part of the regime's mentality instead of clear-cut and defined policy options from the Chief of State.⁸ In other words, the Spanish Administration followed

⁵. Some compilations of Franco's public statements are: Franco ha dicho. Discursos y declaraciones, Madrid, 4th ed., 1948; Textos de doctrina política. Palabras y escritos de 1945 a 1950, Madrid, 1951; Pensamiento económico de Franco, Madrid [Centros de Estudios Sindicales de la Organización Sindical de FET y de las JONS] 1958; Discursos y mensajes de S.E. el Jefe del Estado en las Cortes Españolas. 1943-1961, Madrid, 1961; and, finally, Pensamiento político de Franco, 2 vols., Madrid [Ediciones del Movimiento] 1975. An interesting insight into Franco's perception of reality is provided by Francisco Franco Salgado-Araujo: a) Mis conversaciones privadas con Franco, Barcelona [Planeta] 1976, and b) Mi vida junto a Franco, Barcelona [Planeta] 1977. Araujo was Franco's first cousin and head of his military household 1954 to 1975. The book is full of flashbacks for the period of time covered by this Thesis.

⁶. The publication of 8 volumes on Franco's statecraft based on the private documents (sic) of the General, who supposedly kept copies of all important documents and entrusted them to his wife, proves that an important part of the public records escaped public control, Luis Suárez Fernández: Francisco Franco y su tiempo, Madrid [Fundación Nacional Francisco Franco] 1984.

⁷. One of the rare documents attributed to Franco in this field, "Fundamentos y directrices de un Plan de Saneamiento de nuestra economía, armónico con nuestra reconstrucción nacional", is of an early date: 9 October 1939. This document was brought to public attention from the darkness of the archives by Javier Tusell: "La autarquía cuartelaria. Las ideas económicas de Franco a partir de un documento inédito", Historia 16, no. 115, November 1985, pp. 41-49. Tusell only mentions in his article that this important document comes "from the private archive of one of the [14!] Ministers appointed in August 1939".

⁸. In using mentality and referring to the Franco regime as authoritarian, distinct from both democratic governments and totalitarian systems, see Juan J. Linz: "An Authoritarian Regime: Spain", in Erik Allardt and Yrjö Littunen (eds.): Cleavages, Ideologies and Party Systems. Contributions to Comparative Political Sociology, Helsinki [The Westermarck Society] 1964, pp. 291-341; re-published in Erik Allardt and Stein Rokkan (eds.): Mass Politics: Studies in Political Sociology, New York [Free Press] 1970, pp. 251-83, p. 257. A reappraisal of the topic was done by Linz in "Totalitarian and Authoritarian Regimes", in Fred I. Greenstein and Nelson W. Polsby (eds.): Macropolitical Theory Handbook of Political Science, vol. 3, Reading (MA) [Addison-Wesley] 1975, pp. 175-411. An identical distinction between totalitarian and authoritarian dictatorships, the Franco regime among the latter, is Stephen J. Lee: The European Dictatorships 1918-1945, London [Methuen] 1987, pp. 299 ff. See Javier Tusell: La dictadura de Franco, Madrid [Alianza Editorial] 1988, pp. 86-106; and Eduardo Sevilla Guzmán and Manuel González de Molina: "Política Social Agraria del primer franquismo", in José Luis García Delgado (ed.): El primer franquismo. España durante la segunda guerra mundial, Madrid [Siglo XXI] 1988, pp. 135-187, specially pp. 136-46, for detailed references to the lively debate on the nature of the Franco regime that has gone on for now more than two decades. A most recent

non-codified ways of reacting to situations. Franco very rarely played an active role in formulating policy, although he imposed the limits for the policy options for the Administration.⁹

The basic principle of the Franco regime's foreign action consisted in the survival of the political regime.¹⁰ In this framework Ministers and top civil servants, i.e. at the National Institute of Industry (henceforth INI) and at the Spanish Institute of Foreign Currency (henceforth IEME), had great freedom to conduct policies.¹¹ This was not necessarily because Franco greatly trusted his subordinates but because he had no other option. A certain degree of autonomy for the various bodies within the Administration constituted the only possible option for carrying out policies in Franco's authoritarian regime. Franco was concerned with main principles, leaving aside explicitly any technical matter dealing with the execution of these principles. The Council of Ministers, meeting once a week, could not but be a weak point of reference for daily policy. The Council of Ministers indicated guidelines at a lower level than those emanating from the Chief of State but their execution and their adaptation to specific circumstances required an administrative mechanism as homogenous as possible. Franco relied very much on his Ministers to define the executive measures to put into practice the main principles with the security that important decisions would be made in consultation with him. When difficulties arose among Ministers, Franco's position was either to let them reach a

reassessment of the literature on European fascisms is António Costa Pinto: "The Salazar "New State" and European Fascism", EUI Working Paper HEC no. 91/12, Florence, August 1991.

⁹. This is a conclusion derived from the research undertaken for this Thesis. Joan Esteban: "The Economic Policy of Francoism: An Interpretation", in Paul Preston (ed.): Spain in Crisis. The Evolution and Decline of the Franco Régime, Hassocks [The Harvester Press] 1976, pp. 82-100, p. 83, made a strong plea to go on the contrary direction: "It is quite clear that the crucial decisions have always been personally taken by Franco himself", however adding, "how different interests made themselves known and how they were weighed before a decision was taken is something that is still unknown."

¹⁰. The most recent reminder of this has been Florentino Portero: Franco aislado. La <<cuestión>> Española (1945-1950), Madrid [Aguilar] 1989.

¹¹. Some of them have attributed to Franco an active role in adopting policies as a way to avoid responsibility. An excellent example is Juan Antonio Suanzes Fernández: "Franco y la economía", in his Ocho discursos de Suanzes, Madrid [Centro de Estudios Económicos y Sociales del Instituto Nacional de Industria] 1963, pp. 123-63. This lecture at the 25th Anniversary of the Caudillo as Chief of the Spanish State (Burgos, 28 November 1961) represents the official economic version of Francoism.

common position or to use his prerogatives during his weekly meetings with his ministers to reach an agreement or to impose a decision.¹²

Franco had a special interest in the field of foreign policy. He was quite aware that the main risk for his personal rule -at least until 1946- came from abroad. He was also aware of the potential danger in domestic terms that could be derived from his regime's awful international image due to political dislike and isolation. Therefore foreign policy constituted for Franco, as it had done during World War II, a policy area to be surveyed personally, at least until he was sure that the Western Allies would not intervene to remove him from power. Thus, Franco's godlike rule over the field of foreign relations declined as his regime's political isolation declined. Even in the years of the highest level of political isolation, 1945 to 1946, Franco could not give more precise guidelines for foreign action than to guarantee the survival of his political regime. Even in the period of greatest difficulties, it is highly doubtful that Franco was involved at any stage in drawing up guidelines for foreign economic policy. It constituted a rather technical issue beyond his concern. Therefore, in this sense, the various bodies within the Spanish Administration competent to deal with the different aspects involved in foreign economic relations, had a wide discretion in managing foreign economic affairs.

1.3. Ministerial Struggle for Control of Foreign Economic Policy

Foreign economic policy, in our specific case, constituted a field with problems of interpretation. The departments concerned with foreign economic relations (mainly, the Ministries of Foreign Affairs and of Industry and Commerce) did not necessarily hold similar opinions. Until 1947 the procedure for foreign economic management consisted in creating administrative bureaucracies in different Ministries. These frequently held opposed views on the way foreign economic policy should be dealt with. Furthermore, the struggle to impose a system for conducting foreign economic policy was not restricted

¹². For a description of Franco's methods of government, Stanley Payne: The Franco Regime 1936-1975, Madison [The University of Wisconsin Press] 1987, pp. 397-412; Fusi: Franco, cit., pp. 67 ff.; and Salgado-Araujo, op. cit.

to Departments but spread to categories of civil servants.

The Ministry of Industry and Commerce emerged from the civil war leading the foreign economic policy machinery. In August 1939, the powerful IEME was created as successor to the Committee of Foreign Currency (<<Comité de Moneda Extranjera>>), which from January 1938 had been subordinated to the Treasury.¹³ A Decree of 24 November placed this administrative body that controlled the State's limited foreign currency holdings and the exchange rate mechanism within the Ministry of Industry and Commerce. In other words, it imposed its dynamics on the nation's international economic relations. Furthermore, in November 1939, an *ad hoc* administrative body for foreign economic policy, the Under-Secretariat for Commerce, Tariff Policy and Currency was created in the Ministry of Industry and Commerce. This new body was split from the one dealing with Industry. The IEME was subordinated to the above-mentioned Under-Secretariat. The outbreak of the Second World War promoted the importance of the Ministry of Foreign Affairs (created in 1938), despite the pre-eminence the Ministry of Industry and Commerce had reached in foreign commercial policy. During the world war years, the Ministry of Foreign Affairs was intended to become the administrative instrument selected to determine and execute foreign economic policy within the general framework of foreign policy and subject to its political principles. This intention can be labelled as the principle of *unity in foreign action*.

Control over economic warfare, in the early phase of the war, was the main field of ministerial confrontation preventing any unity in foreign action.¹⁴ Inter-departmental differences also focussed on another line of confrontation, that of Pro-Axis versus Pro-Allies. Approximately between May to October 1940 the State's action was a unified one of positive response to the approach adopted by the Allies to win Spain from Axis

¹³. BO of 27 August 1939. See a brief description in Juan Sardá: "El Banco de España (1931-1962)", in El Banco de España. Una historia económica, Madrid, 1970, pp. 421-79, p. 454.

¹⁴. An extraordinary account of these matters in relation to the Allied economic blockade during World War II, is W.N. Medlicott: The Economic Blockade, 2 vols., London [His Majesty's Stationery Office], first published in 1952 with free access to official documents, then revised including confidential source references, in 1978; see most especially, vol. 1, chapter XV, and vol. 2, chaps. X and XIX. The following two paragraphs are based on this work.

influence. The Allied policy of economic support, carried out to relieve Spain's shortages and reduce dependency on German supplies, allowed the importation, within reasonable quotas, goods in short supply, such as wheat, oil, rubber, cotton, coal, sisal, phosphates and manganese, provided also with shipping. Controlled assistance was backed by sterling credits. The Anglo-Spanish Trade and Payments Agreement signed on 18 March 1940 included a loan agreement under which Spain secured a sum of £2 millions for expenditure in the sterling area. The Anglo-Spanish Moroccan Agreement of 29 November provided £350,000 to facilitate Spain in purchasing commodities from the French Zone of Morocco. Spain's Minister of Foreign Affairs, Colonel Juan Beigbeder y Atienza was determined to keep Spain out of the war and fully accepted the implications of British economic aid.¹⁵ Allied economic help constituted a means of strengthening Spanish neutrality.

This policy led to Cabinet confrontation, after Beigbeder's resignation, in October 1940. The new Ministers for Foreign Affairs and Commerce, Serrano Súñer and Carceller, respectively, did not hold the same view on how to handle the instruments of economic warfare.¹⁶ When Carceller came to office he looked for some relaxation in the economic blockade to enable him to bargain with the Germans and the pro-Axis members within the Cabinet. Although a Phalangist leader, Carceller was soon to show himself to be a keen, although hard-headed and unconventional, exploiter of help from both the Anglo-Saxons and the Germans. Súñer was to offset this. He was determined to frustrate any policy of rapprochement to the Anglo-Saxons by emphasising that the interests of Spain were solidly with the Axis. Súñer's determination to prevent any clear co-operation with

¹⁵. Juan Beigbeder y Atienza (1888-1957), veteran soldier of the Moroccan wars and pro-British Minister of Foreign Affairs from 9 August 1939 to 16 October 1940.

¹⁶. Ramón Serrano Súñer (b. 1901), State Solicitor, Franco's brother-in-law and Minister of the Interior since Franco's first government of February 1938 and National Chief of the Phalange's Press and Propaganda. In October 1940 he was appointed Foreign Minister. He travelled regularly to Italy and Germany. Master engineer of the unified party. He had to resign on 3 September 1942.

Demetrio Carceller Segura (1894-1968), Textile Engineer, appointed member of the Phalange's National Council a month before being appointed Minister for Industry and Commerce, a post which he held from October 1940 to July 1945. Carceller was dismissed due to his free action without strictly adjusting to Franco's wishes; Ramón Garriga: La España de Franco. Vol. II De la división azul al triunfo aliado, 1943-1945, Madrid [G. del Toro] 1976, pp. 387.

the Allies was complete. When a further British credit of £2.5 millions for continued trade with the sterling area against the pressure of the Axis, was agreed upon in November 1940, it was boycotted by Sùñer. The opposition from Sùñer delayed the signature of the Supplementary Loan Agreement for six months, although it had originally been asked for by the Spanish Government. The crop harvest 1940/41 had been one creating a serious problem of food shortage that risked general unrest. Further privation during the winter could well touch off a revolt. Carceller went so far as to resign in protest against such political intrusion in economic matters, though he withdrew his resignation later, when the agreement was finally signed on 7 April 1941. The efforts made by Carceller to secure Allied economic aid were opposed by Sùñer with dilatory manoeuvring or avoidance of Franco's involvement in the matter. It does not mean that had Franco intervened the situation could have been clarified. Franco had never been very helpful in this matter. He seemed to be decided upon neither abandoning nor helping his Axis friends.¹⁷

In September 1942 the Council of Ministers tried to end the danger of ministerial conflict over the State's foreign economic action. The Cabinet agreed that any contact with foreign representatives in future negotiations in political, financial and commercial orders ought to be exercised by the Ministry of Foreign Affairs. The principle of unity of action was explicitly stated:

"The principle of the unity of direction referring to Spain's negotiation with other powers does not need to be reasoned, since it is self-evident."¹⁸

The chaotic situation produced by the intervention of all administrative bodies in

¹⁷. Vividly described in personal terms in the following memoirs: 1) Carlton J.H. Hayes (appointed U.S. Ambassador to Spain in September 1942) Wartime Mission in Spain, 1942-1945, New York [Macmillan] 1945; 2) Sir Samuel Hoare (later Lord Templewood, appointed British Ambassador to Spain in June 1940) Ambassador on Special Mission, London [Collins] 1946; and 3) Willard L. Beaulac (member of the U.S. diplomatic mission in Madrid as Counsellor of Embassy and -intermittently- Charge d'Affaires, from June 1941 to May 1944) Franco. Silent Ally in World War II, Edwardsville [Southern Illinois University Press] 1986. In general the Allies believed that unless Spain starved, the country would not enter the war. The latter book together with Antonio Marquina Barrio: España en la Política de Seguridad Occidental (1939-1986), Madrid [Servicio de Publicaciones del Estado Mayor del Ejército] 1986, chapter one, provide further references to illustrate Spain's role in World War II, a matter that this Thesis has consciously foregone.

¹⁸. MAE, Leg. 6285, exp. 2, carp. 11: Order to Ministers, 18 September 1942.

international affairs, mainly in foreign economic matters since the outbreak of the Second World War, made it

"essential to hold all international negotiations under one unified rule [...] In this constant struggle of which international negotiations consist and frequently of great toughness, the Spanish State needs to present a unified front under a single command, which cannot be except that of the Ministry of Foreign Affairs under the direction of the Chief of State."¹⁹

Consequently, the order requested all Ministers to stop handling the nation's international interests individually and to limit themselves to submitting their points of views, opinions and suggestions, to the Ministry of Foreign Affairs. The latter could unify them and present a single front at international negotiations without the fear of seeing its efforts side-tracked by interference from other administrative bodies who pursued isolated agreements. Direct contact between foreign diplomatic staff and other Ministers would take place exclusively on specific technical matters, without reference to political matters and always under the aegis of the Ministry of Foreign Affairs. All commissions, committees and parties travelling abroad were to keep a close contact with the Ministry of Foreign Affairs. The reason behind this Cabinet decision could have been linked to the important change then taking place in Franco's Government, September 1942.

A close colleague and friend of Franco, who helped to organize the regime in its earliest stages, the Count of Jordana, came back to the Palacio de Santa Cruz, the headquarters of the Ministry of Foreign Affairs.²⁰ The departure of Serrano Súñer might be seen as linked to domestic affairs (Phalangist quarrels with the conservative monarchists).²¹ The important point is that Jordana's presence in Franco's Government was interpreted by the United Kingdom and the United States as a guarantee of Spain's

¹⁹. Ibid.

²⁰. Francisco Gómez-Jordana y Sousa, Count of Jordana (1876-1944), Soldier and veteran of the Cuban and Moroccan wars, had been already appointed Minister for Foreign Affairs (and Vice-President of the Government) in the first Franco Cabinet, February 1938 to August 1939.

²¹. As Súñer himself relates in his memoirs, Entre Hendaia y Gibraltar (Noticia y reflexión, frente a una leyenda sobre nuestra política de dos guerras), Madrid [Ediciones Publicaciones Europeas] 1947, p. 170.

abandonment of the pro-Axis tendencies promoted by Serrano.²² The latest research in this field shows that in selecting Jordana, Franco had no intention to modify his foreign policy guidelines: Jordana was selected because there was a pressing need to appoint a new Minister for Foreign Affairs and nobody else seemed to have been available for the post.²³ The research on the policy implications deriving from this ministerial substitution tends to point out that, in any case, Jordana was soon able to show his appreciation of the situation. The document commented on above was produced at the first meeting of the Council of Ministers in which Jordana took part, mid-September 1942. The special circumstances in which the replacement occurred allowed Franco to give Jordana some preference, in contradiction with Franco's traditional balance of power within the government, in order to avoid any interference in this important phase of the State's foreign diplomatic action.²⁴ It was impossible to ignore the Ministry of Industry and Commerce, who controlled money, ships and export/import licenses, but it was up to the Ministry of Foreign Affairs to decide on the general principles of the economic programmes.

The Minister for Industry and Commerce, Carceller, strongly disagreed with the above. Commercial procedure, he argued, had three stages. The first consisted in preparing the field for a commercial treaty by presenting the Spanish desiderata. The second dealt exclusively with negotiating the treaty. Finally, the third stage of the procedure dealt with the execution and fulfillment of the agreements. The Minister of Industry and Commerce, surprised by the principle of *unity in foreign action*, argued that his Ministry had always limited itself to claiming the direction of the first and third phases since it was

²². Javier Tusell: "Un giro fundamental en la política española durante la segunda guerra mundial: la llegada de Jordana al Ministerio de Asuntos Exteriores", in García Delgado: El primer franquismo, cit., pp. 281-93; p. 291 for references to the British and American sources on this point. Also the Vatican adopted a more favourable attitude, see Tusell: Franco y los católicos. La política interior española entre 1945 y 1957, Madrid [Alianza Editorial] 1984, p. 48.

²³. Tusell, "Un giro...". The argument is based on Jordana's Diary, although Tusell forgot to state where researchers could consult it.

²⁴. Franco's "political chemistry balanced and neutralized [the so-called] "families" of the regime. None was permanently excluded from power; none allowed a monopoly of influence", Raymond Carr: Modern Spain 1875-1980, Oxford [Oxford University Press] 1980, p. 166. For the policy of equilibrium, see Súñer, op. cit., pp. 38-39.

best equipped to carry them out properly from the technical aspect, while it had always provided the necessary support for the second stage. All this, he argued, was in accordance with "a parallel principle of unity in the internal action of the Government".²⁵ Obviously, the Spanish Minister for Industry and Commerce did not feel inclined to give up a large slice of his Ministry's competence to less skilled personnel from another ministry.

The interministerial struggle over control of foreign economic policy overlapped significantly with the struggle inside the Spanish Administration between those who were prepared to accept Allied economic assistance and those who remained sensitive to Axis pressure. It is this circumstance that explains better than anything else the position of the different personages involved in these quarrels. Carceller's opposition to an extension of the Ministry of Foreign Affairs' influence in foreign economic policy might be directly linked to his experience during the early phase of World War II and the effects of the economic blockade imposed by the Allies to curtail supplies to Germany. It was not that he might have been more or less pro-Axis, something that is not within the scope of this chapter, but that he might have fully realised the powerful weapon that the Allies possessed in their control of Spanish imports and the importance of some Spanish export items. The great economic difficulties of the Spanish economy and population could be made more difficult throughout the war if there was a strict implementation of political considerations which forced foreign economic policy into decisions on other than economic grounds.

The financial adviser to the British embassy in Madrid described the situation as follows:

"[T]here was a keen rivalry between the two Spanish ministries [Foreign Affairs and Industry and Commerce] for the control of Spanish external trade and other ministries which might have played a part were kept in the background."²⁶

The so-called *wolfram crisis* during World War II is just one example -the better known

²⁵. MAE, Leg. 6285, exp. 3, carp. 1: Carceller to the Minister of Foreign Affairs, 3 November 1942.

²⁶. Quoted in Medlicott, *op. cit.*, p. 548.

one- of the strategic importance of handling Spain's little economic bargaining power in foreign economic relations for achieving political aims. The point was to deprive Germany of a vital ferro-alloy required for modern warfare, wolfram, an exceptionally strong metal used in steel production to increase the hardness and strength of cast iron.²⁷

The Ministry of Foreign Affairs, foreseeing the importance of getting a grip on foreign economic matters, re-structured its internal organisation in October 1942. The DG of Economic Policy, one of the three main newly introduced General Directorates in the Ministry of Foreign Affairs, was to negotiate commercial agreements as well as to conduct all matters relating to foreign trade. Despite everything, this section remained inefficient at least until the end of 1944 since it lacked the means for carrying out policies.²⁸ Anyway, by the end of 1942 both Ministries (Foreign Affairs and Industry and Commerce) housed administrative bodies especially designed to deal with foreign economic matters without a clear distinction of their respective competences. By the end of the world war both departments were ready to claim control over the nation's foreign economic policy.

In the ministerial infighting two groups of civil servants dealing with the foreign world developed in confrontation with one another. To the traditional diplomatic corps at the Ministry of Foreign Affairs and diplomatic representation abroad, was added a new corps of technicians from other departments. In September 1930 a service called commercial councillors and attachés (<<Servicio de Consejeros y Agregados Comerciales>>) was created. Although it was created in a department other than the Ministry of Foreign Affairs, its members were to be recruited from the diplomatic corps and to be subordinated to the chiefs of mission in the respective posts. A month later, a new civil servant corps was created to perform technical auxiliary services for the above-

²⁷. For a vivid account of the Spanish wolfram crisis with the Allies see: Hayes, op. cit., pp. 185-200; and Beaulac, op. cit., pp. 186 ff. For the wolfram story inserted into more general British and American economic warfare operations, Alfred E. Eckes, Jr.: The United States and the Global Struggle for Minerals, Austin and London [University of Texas] 1979, chapter 4, pp. 89-119; and Medlicott: Economic Blockade, cit., vol. 2, pp. 582-610.

²⁸. Its budget only extended to paying its personnel, MAE, Leg. 4618, exp. 2: Director General of Economic Policy to the Minister of Foreign Affairs, 7 October 1944.

mentioned commercial councillors and attachés at the central Administration as well as in its offices abroad. This special technical corps of secretaries and commercial officials (<<Cuerpo Técnico de Secretarios y Oficiales Comerciales>>) was also created outside the Ministry of Foreign Affairs (within the Under-Secretariat for Commerce, Tariff Policy and Currency of the Ministry of Industry and Commerce). This corps benefitted from the expansion of State intervention in foreign trade during the 1930s and the 1940s by an enlargement of its staff and by their inclusion in the diplomatic lists.²⁹ Actually, this did not represent the danger the diplomats wanted it to appear. The incorporation of the technical personnel to the diplomatic lists only took place when they were sent to an embassy, something which only happened exceptionally at the time.³⁰ Notwithstanding this, the process of supplanting diplomatic personnel by technical personnel in the commercial field and in foreign economic bodies was repeatedly denounced by diplomats during the period we are dealing with.³¹

At this point one can draw a first conclusion: there was a clear problem of administrative efficiency and overlapping of competence. The Ministry of Foreign Affairs, responsible for the diplomatic corps abroad, had a DG of Economic Policy aimed at conducting all matters relating to foreign trade, whereas the Ministry of Industry and Commerce, responsible for the economic and commercial offices and services abroad,

²⁹. Adopting in June 1940 the name of Technical Corps of Commerce (Cuerpo Técnico de Comercio), also called Corps of State Commercial Technicians (Técnicos Comerciales del Estado). In an public effort to obtain more professionals of the economy involved in the central Administration the first Political and Economic School was founded in Madrid in 1944, whose first promotion reached the market in 1947, see Mauro F. Guillén: "La profesión de economista, cuarenta años después", Información Comercial Española, no. 652, December 1987, p. 93, and Juan Velarde Fuertes: "La base ideológica de la realidad económica española", in España Economía, Madrid [Espasa-Calpe] 1988, pp. 955-1000, where a complete reference to many of his articles on the matter can be found. A brief but vivid description of the influence of the School in the Spanish economic world during the 1950s in Velarde: "1875-1986: Historia de un proceso de apertura económica al exterior", Política Exterior, vol. I, no. 2, Spring 1987, pp. 91-113, p. 111.

³⁰. In personal correspondence with Professor Manuel Varela Parache (Universidad Complutense, Madrid), then a civil servant who joined the Ministry of Commerce in 1951 when this department separated from the Ministry of Industry, promoted to Chief of its General Technical Secretariat in 1957. He is considered to be one of the leading personalities who promoted the Stabilisation Plan in 1957-59.

³¹. i.e. MAE, Leg. 4618, exp. 2: The Director General of Economic Policy to the Minister of Foreign Affairs, n/d, probably about the end of 1944.

housed an Under-Secretariat for Commerce, Tariff Policy and Currency, which contained a DG for Commercial Policy. Once the World War was about to end it became clear that the system was not only inefficient but also dangerous for the survival of the regime. Inefficiency was due to the "serious" lack of coordination between departments and their respective civil servants, the rivalry among officials subjected to the different disciplines of the departments and the duplication of expenses due to a duplication of functions.³² The various interministerial bodies, all of them of a consultative nature, in which representatives from the different departments sat around a table, did not seem to work very efficiently in coordinating them.³³ Coordination offices were far from being effective. The political coordination represented by the decisions of the Council of Ministers was not effective enough for the execution and administration of the issues in detail.³⁴ Thus the rivalry between departments and their civil servant corps could no longer be avoided:

"Isolation is inconceivable today for any nation. It is precisely in the economic field and, particularly, in commercial relations where contact has to be closer, more frequent and more systematized."³⁵

³². Openly admitted in the sources, i.e. MAE, Leg. 4618, exp. 2: "Esquema de una ley orgánica de la Subsecretaría de Política Económica Exterior", n/s, n/d.; and *ibid*, Note for the Minister, 8 November 1944, n/s, probably drafted at the DG of Economic Policy at the Ministry of Foreign Affairs.

³³. These interministerial bodies were: 1. The Interministerial Commission for Treaties (Comisión Interministerial de Tratados), created in April 1938 and later on sheltered within the DG of Foreign Economy of the Ministry of Foreign Affairs, consisting of representatives from Foreign Affairs, Industry and Commerce, Agriculture, Defence and Treasury; 2. Commission for Foreign Trade Regulation (Comisión Reguladora del Comercio Exterior), created in April 1938 and housed at the DG for Trade of the Ministry of Industry and Commerce, with representatives from the latter, Foreign Affairs, Vice-Presidency of the Government, Agriculture, Transport and Treasury; and 3. the IEME Administrative Council, created in August 1939, presided over by the Minister of Industry and Commerce with representation from Foreign Affairs, Agriculture and Treasury, as described in MAE, Leg. 4618, exp. 2: "Nota relativa a los problemas que se plantean en la Subsecretaría llamada de Comercio, Política Arancelaria y Moneda", Saint Sebastian, 29 July 1946.

³⁴. MAE, Leg. 4618, exp. 2: Note for the Minister, 8 November 1944, n/s.

³⁵. MAE, Leg. 4618, exp. 2: Informative note on the State's foreign action, n/s, n/d, probably from the end of 1944.

1.4. The Concept of Unity in Foreign Action

In late 1944/early 1945 the debate on the responsibility for the management of the State's foreign economic relations and its connections with foreign policy became more acrimonious, as can be detected from the records. This is the period when José Félix de Lequerica was Minister of Foreign Affairs (August 1944-July 1945).³⁶ After 1948, when Lequerica was sent on special mission to the United States he, on several occasions, expressed strong complaints about the increasingly important role of economic elements in dealing with foreign matters.³⁷ Being Minister of Foreign Affairs he showed a clear tendency to decide this debate in favour of a predominant role to be played by diplomats.³⁸

The civil servants within the Foreign Office (mainly the DG of Economic Policy) argued that although the Ministry of Industry and Commerce ran international economic relations in the field of commercial policy, these should always come under the aegis of foreign policy and be determined by the guidelines agreed on in the Ministry of Foreign Affairs. Foreign economic policy should always be framed within the more general foreign policy guidelines. It was characterised by a double nature, political and technical, both aspects being so "closely and indissolubly united [as] to be impossible to separate in practice".³⁹ A coordination of both departments' activities appeared necessary. Presentation of the economic requirements, negotiation of trade and payments agreements, their signature, the execution and survey of the agreements, all aspects of the foreign

³⁶. José Félix de Lequerica y Erquiza (1890-1963), Lawyer, Franco's Ambassador to Vichy, the perfect incarnation of a Francoist-Monarchist distant from the Phalange. He was appointed Minister of Foreign Affairs after Jordana's death on 3 August 1944. In July 1945 he was replaced by a more convenient man, Martín Artajo, to face the post-war period. After a period of diplomatic inactivity he was appointed as special inspector of embassies in April 1947. Under this vest, travelled to the United States in April 1948 initially for a two-months inspection and rested there untill 1961. María Jesús Cava Mesa has recently published Lequerica's biography, Los diplomáticos de Franco. J.F. de Lequerica, temple y tenacidad (1890-1963), Bilbao [Universidad de Deusto] 1989.

³⁷. See chapter four, p. 291.

³⁸. Unfortunately the few interesting references that Cava gives to Lequerica's model about the role of the Ministry of Foreign Affairs in the State's foreign economic action (op. cit., pp. 215 & 216) do not give an account of archival sources.

³⁹. MAE, Leg. 4618, exp. 2: Note for the Minister, 8 November 1944, n/s.

commitments of a nation, could no longer be dealt with separately, but as a unity of action and execution in strict subordination to the joint interest of public service. The conclusion was obvious. The Ministry of Foreign Affairs should control the process, allowing the Ministry of Industry and Commerce and other departments a limited auxiliary role in the technical field.

According to the Ministry of Foreign Affairs, effective interministerial coordination was to be achieved by promoting its DG of Economic Policy as a new body organically dependent on the Foreign Office though technically dependent on both.⁴⁰ It would include all services of commercial policy and commercial attaches abroad depending upon the Under-Secretariat for Commerce, Tariff Policy and Currency (Ministry of Industry and Commerce), as well as all economic offices of the diplomatic missions in foreign countries. Furthermore, it would stop the historical process of the supplanting of diplomats by technicians. Recruitment would be partly from the diplomatic corps and partly from the corps of State commercial technicians (<<Técnicos Comerciales del Estado>>) in equal proportions. The new service would be made up of councillors and attachés for foreign economy (<<Consejeros y Agregados de Economía Exterior>>), substituting the existing service of commercial councillors and attachés.⁴¹ The facilities belonging to both departments, Ministries of Foreign Affairs and Industry and Commerce, would be transferred to the reconstituted DG of Economic Policy. Their responsibility would be the negotiation of treaties, agreements and conventions of an economic character, the international representation, information and, finally, the running of the commercial offices abroad.

This proposal was a compromise between the moderates and the extreme position of the DG of Economic Policy that hoped to extend its control over all aspects involving foreign economic policy. A report by the General Director of Economic Policy, Emilio Navasqués, for his Minister concerning the organisation of Spain's commercial services,

⁴⁰. Ibid.

⁴¹. Article 8 of the Draft-Decree prepared, MAE, Leg. 4618, exp. 2, n/d.

proves his strong feelings on the matter.⁴² One of the most important problems regarding the structure of his department was to determine its prerogatives regarding the recruitment and discipline of the service of commercial councillors and attachés. The proposal made to the Minister was that these functions were absorbed by the Ministry of Foreign Affairs, while the rest of the Departments would continue to contribute to the regulation of technical matters, such as specialist studies of commodities and currency questions.⁴³ Thus, it provided for the absorption by the Ministry of Foreign Affairs of the service of commercial councillors and attachés for making the services for Commercial Policy of the Ministry of Industry dependent on this department. Other less desirable options considered the convenience of further developing and shaping the existing interministerial bodies. If a monopoly could not be gained it was preferable to maintain the status quo with no modification in the basic legislation. To this was added that the mixed nature of the nation's foreign relations was to be clearly recognised, allowing the Ministry of Foreign Affairs to draw up the guidelines for foreign economic policy within the framework of foreign policy leaving technical details to other departments. Finally, the proposal also suggested diplomats should predominate over commercial civil servants abroad in a proportion of two:one. Thus, the proposal presented by the DG of Economic Policy of the Ministry of Foreign Affairs did not foresee the creation of a new administrative body but the clarification of the matter by promoting the Ministry of Foreign Affairs as the only speaker in all foreign matters. Any interministerial body was perceived as constituting the best way to favour the supplanting of diplomats by technicians, thereby "sterilizing the State's action abroad."⁴⁴ As was clearly stated, if the Ministry of Foreign Affairs did not totally absorb all competence and initiative in foreign economic policy "this Ministry

⁴². MAE, Leg. 4618, exp. 2: The Director General of Economic Policy to the Minister of Foreign Affairs, n/d, probably about the end of 1944.

Emilio Navasqués y Ruiz de Velasco, Director General of Economic Policy at the Ministry of Foreign Affairs, headed the diplomatic design to take over foreign economic policy, leaving aside the rest of the ministries involved as simple technical advisers. He was himself a diplomatic member of the service of commercial councillors and attachés. He was honoured with the Grand Cross Isabel la Católica in July 1947.

⁴³. Previous proposals in this sense seemed to have been put forward and rejected by the Ministry of Industry and Commerce, MAE, Leg. 4618, exp. 2: "Guión para una conversación", n/d, n/s., probably drafted by the DG of Economic Policy at the end of 1944.

⁴⁴. MAE, Leg. 4618, exp. 2: The Director General of Economic Policy to the Minister of Foreign Affairs, n/d.

would in fact disappear".⁴⁵ This is an exaggerated statement revealing that a struggle for bargaining power was involved.

The Spanish Ministry of Foreign Affairs was perfectly aware of the strategic importance of the commercial relations that Spain maintained with Western Europe. The increasing and public political dislike for the Franco regime pushed them to use this economic potential to pressure for the solution of political conflicts of a bilateral character.⁴⁶ Independently of the solution proposed, it became clear that the Ministry of Foreign Affairs saw that something had to be done in order not to lose control over foreign economic policy and, what is more, over foreign policy itself:

"If the Ministry of Foreign Affairs abandoned these problems, it would practically lose a large part of its competencies and it would totally disable itself from performing its functions as it should. If things were to continue as they have since 1940 (enlargement and centralisation of attributions in the Ministry of Industry and Commerce, civil servants exclusively dependent on that Department in larger numbers than those dependent on the economic-diplomatic services, etc) the Ministry of Foreign Affairs will soon be facing a situation of inferiority and incapacity, as already pointed out."⁴⁷

The Ministry of Foreign Affairs did not reveal the whole truth. The important administrative bodies dealing with foreign economic policy housed outside its headquarters were controlled by diplomats.⁴⁸

⁴⁵. MAE, Leg. 4618, exp. 2: "Guión para una conversación", n/d, n/s, probably drafted at the DG of Economic Policy, Ministry of Foreign Affairs, at the end of 1944.

⁴⁶. "Navasqués avait jusqu'à présent pris soin de laisser les accords commerciaux indépendants des facteurs d'ordre politique", reported the Delegate in Spain of the French Provisional Government, Jacques Truelle, to his Minister of Foreign Affairs, George Bidault, on 9 January 1945, AD, 2/E, vol. 92. See Chapter Two for more detailed presentation on the matter.

⁴⁷. MAE, Leg. 4618, exp. 2: "Guión para una conversación", n/d, n/s.

⁴⁸. In June 1945, the diplomat José Sebastián de Erice y O'Shea held the General Directorship of Commerce and Tariff Policy at the Under-Secretariat for Commerce, Tariff Policy and Currency, the ad hoc administrative body for foreign economic policy at the Ministry of Industry and Commerce, replacing the State commercial technician Eduardo Junco y Martínez-Azcoitia. Did Erice reduce and stifle opposition within this body to the proposals from the Ministry of Foreign Affairs or, on the contrary, did he help to transfer to the latter the opposition from the economic ministry and, therefore, to set aside the more radical proposals? Furthermore, in June 1946 another diplomat, Mariano de Yturralde y Obregoso, replaced Erice after his resignation, and remained Director General until February 1947. Finally, when in the same month, a technician from the Commercial Technical Corps of the State, Luciano Albo Candina, held the General Directorship of Foreign Policy in the Ministry of Industry and Commerce he lasted only three months,

Furthermore, the weakness of the entire foreign economy structure meant that, at that period, the technicians were not really in competition with the diplomats. Spain's foreign economic staff at the end of World War II had hardly changed from the 1920s and consisted of 14 commercial technicians cooperating with 33 commercial councillors and attachés. Their budget was similar to the one in 1929. The geographical distribution of these men did not differ much from that of the pre-war period. Often a commercial office had to deal with different countries and usually there were no offices outside national capitals.⁴⁹ The Spanish Administration did not have skilled staff to inform themselves on economic affairs or to deal properly with economic matters in the entire Commonwealth, in the Colombian states (Uruguay and Peru) and in any part of the Orient. The latter was the case in spite of the declared pro-Arab foreign policy of the Franco Administration. The weakness of the technical (or non-diplomatic) staff dealing with foreign economy is not reported to the reader only to indicate the scant importance of the official Spanish presence in world markets. It serves to further illustrate the important point that behind the Ministry of Foreign Affairs' concerns for the question of *supplanting diplomats* there was the clear intention of extending its control over the nation's foreign economy. That is the very essence of the concept of *unity in foreign action*.

The policy options for administrative coordination remained quite limited. It could not be otherwise with constant conflict of viewpoint between the departments involved and their civil serants. The promotion of either of the departments involved seemed out of the question although it was believed to constitute the most effective solution. The creation of a mixed bureaucracy seemed the best way to please both departments. It turned out to be the best way to perpetuate the struggle. When it became evident that some cohesive and monolithic governmental structure for foreign economic policy was necessary the

since in June 1948 he was substituted by José Núñez Iglesias who stayed there until July 1950 when he was again transferred to the Ministry of Foreign Affairs as General Director of Economic Policy. Since then and until July 1951, José Miguel Ruiz Morales remained as a Director General of Foreign Economy in the Ministry of Industry and Commerce. Viñas has defined this process as the *personnel policy* by which the diplomatic corps attained control over the apparatus of foreign economic policy; "La administración de la política económica exterior en España, 1936-1979", cit., pp. 181 ff.

⁴⁹. MAE, Leg. 4618, exp. 2: Informative note on the State's foreign action, n/s, n/d.

solution finally adopted was undoubtedly a compromise and, as the near future was to show, quite inefficient. In 1945 Franco, with the agreement of both Ministers involved and the Cabinet, created the so-called foreign economy division (<<Servicio de Economía Exterior>>).⁵⁰ This was a decision that, in spite of the fact that the essence of the unity principle in foreign economic action was explicitly assumed, remained limited to the level of civil servants. Part of the civil servants in foreign economic bureaucracies from both ministries were transferred to this body in equal proportions to take up their technical responsibilities at the commercial offices abroad, as well as at the Directorates General of Economic Policy in the Ministry of Foreign Affairs and of Commercial Policy in the Ministry of Industry and Commerce. The administrative decree did not attempt to unify the different categories of civil servants. In practical terms the decree only meant a recommendation to both ministries to keep close contact to make sure that "commercial and foreign economic activities follow the course of the convenient foreign policy".⁵¹ The Ministry of Foreign Affairs was to continue to run the negotiation and signing of trade and commercial agreements while the Ministry of Industry and Commerce was to undertake the preparatory and executive aspects. Significantly enough the decree eliminated all reference to the "interministerial nature" stated in article 2 of the draft decree or to the "permanent" nature of the administrative arrangements as was also stated in the preface and article 1 of the draft decree.⁵²

The solution adopted did not prove satisfactory since it did not end the ongoing departmental struggle. This confrontation was not going to do any good to a nation that could expect strong international retaliation after the end of the war due to the origins and nature of its political regime. The Yalta declaration, in February 1945, appeared to make

⁵⁰. "One of the main problems Spain faces at the present and which will considerably increase in the future with the arrival of peace, is that of regulating our international economic relations. These, although essentially conducted by the Ministry of Industry and Commerce, are always determined by the guidelines that have to be adopted, in relation to foreign policy, by the Ministry of Foreign Affairs." MAE, Leg. 4618, exp. 2: Decree establishing the Foreign Economy Service. I do not have the precise date, but in any case it was after November 1944 and in the first quarter of 1945.

⁵¹. Article 1 of the decree.

⁵². MAE, Leg. 4618, exp. 2: Draft Decree-Law for the creation of the Foreign Economy Service, n/d.

reconciliation with Spain while under Franco virtually impossible.⁵³ The San Francisco Conference adopted a resolution according to which Article 4(2) of the United Nations Charter, adopted on 19 June 1945, could not apply to States whose regimes were established with military assistance from the countries that fought against the United Nations as long as such regimes were in power.⁵⁴ The three big powers were certainly discussing the future of Spain at Postdam. The Spanish Administration had no other option, in July 1945, than quickly accommodating the political regime to the new international circumstances imposed by the victors.

Initial steps to provide the regime with some democratic institutional basis were taken. On the 13th the Cortes approved a sort of rights charter, the <<Fuero de los Españoles>> and the following day the <<Ley de Bases para el Régimen Local>> regulating country elections.⁵⁵ On the 21st a new Cabinet was formed where the Falange lost some of its traditional ministerial posts. The appointment of Alberto Martín Artajo as Minister of Foreign Affairs was intended to benefit the regime by its international connections as eminent representative of Catholic organisations and his previous non-political commitment, easing a rapprochement to the Vatican and the Anglo-Saxons.⁵⁶

⁵³. "The Crimean (Yalta) Conference, February 4-11, 1945", in 81st Congress 1st Session Senate: A Decade of American Foreign Policy. Basic Documents 1941-1949, prepared at the request of the Senate Committee on Foreign Relations by the staff of the Committee and the Department of State, Washington [US Government Printing Office] 1950, republished by Arno Press, New York, 1971, pp. 27-34. Still then, Spain maintained diplomatic relations with Japan (until 14 April 1945) and Germany (until 15 May 1945).

⁵⁴. As recalled in the Resolution of UN General Assembly of 9 February 1946, in ibid., pp. 887-888.

⁵⁵. Both, together with the Law of National Referendum promulgated on 22 October 1945, were considered earlier Fundamental Laws of the Kingdom, of which the principles were defined as permanent and immutable. For these legal texts see Jorge de Esteban, op. cit., 235-40 and 271-78 and Leyes políticas españolas fundamentales (1808-1978), compilation by Enrique Tierno Galván, 2nd ed., Madrid [Tecnos] 1979 [1968], pp. 216-24.

⁵⁶. Alberto Martín Artajo y Álvarez (b. 1905) Lawyer, active member of Catholic Action, leader-writer of El Debate, newspaper of Christian-democratic tendency, who accepted the appointment as Minister of Foreign Affairs after its approval by the Primate Cardinal of the Spanish Church, Monsignor Pla y Deniel. Minister of Foreign Affairs from July 1945 to February 1957, his task was to get Franco Spain out of its international political isolation. He was called the "Chancellor of Resistance". For the circumstances of Artajo's appointment see Tusell, Franco y los católicos, cit., pp. 38, 49, and 51-69, based on Artajo's private papers. For a detailed description of the regime's reconciliatory efforts in the immediate months after the war see ibid., pp. 52 ff. and the classic Max Gallo: Historie de l'Espagne franquiste, Paris [Robert Laffont] 1969, pp. 182 ff.

Despite all the make-up efforts, the Potsdam Conference issued a note on 2 August 1945 in which the three governments said that it was their duty to say clearly that they would not support the candidacy of Spain to the United Nations organisation under any Franco government.⁵⁷ British Foreign Secretary Eden suggested the admission of all other neutral governments so the reference to Spain would be more pointed.⁵⁸ It seems important to point out, however, three facts which are not always highlighted in the literature. First, the public announcement about the exclusion of Spain, while under the Franco regime, from the world organisation of the United Nations was agreed by the three major powers before Winston Churchill left Potsdam. No alteration of the terms of the declaration was made by the new British Labour Prime Minister or his Foreign Secretary. Second, none of the big powers favoured the use of force to expel Franco. Stalin himself denied that his proposal against Spain implied military intervention or any other measure leading to civil strife. Finally, the high echelons of the regime were perfectly aware of this. Lufs Carrero Blanco, at the time Head of the Political Chiefs of Staff, declared at the end of August 1945:

"Pondering carefully, it has to be recognised that at Potsdam we have been carefully defended with energy by Truman and Churchill [...] The decision was adopted with Churchill as British premier and [...] Attlee [...] in full Labour euphoria did not attempt to worsen what was already agreed upon [...] Now then: if [they] defended us against Stalin's claims, it was neither for affection, nor humanity, nor justice. They defended us for interest, [the Anglo-Saxons] are interested in an Iberian Peninsula in order and anticommunist, although they would rather prefer to obtain it with a regime different to the present one."⁵⁹

⁵⁷. "[H]aving been founded with the support of the Axis Powers, does not [the Spanish Government], in view of its origins, its nature, its record and its close association with the aggressor States, possess the qualifications necessary to justify such membership [of the United Nations]." A Decade of American Foreign Policy, cit., doc. no. 17: "The Berlin (Potsdam) Conference, July 17-August 2, 1945", (a) Protocol of the Proceedings, August 1, 1945, pp. 34-48, p. 45.

⁵⁸. Herbert Feis (economic adviser to the US Department of State): Between War and Peace. The Potsdam Conference, Princeton [Princeton University Press] 1960, p. 202.

⁵⁹. Artajo's Private Archive: "Notas sobre la situación política", 29 August 1945, as cit. in Portero, op. cit., pp. 104-106. Document also reproduced in Laureano López Rodó: La larga marcha hacia la Monarquía, Barcelona [Noguer] 1977, p. 60. In this note Carrero provided important directives for Spain's foreign policy. The document has been reproduced from a secondary source because no access to Artajo's papers has been possible. Little historical debate can be developed when essential records, i.e. those of Spain's Minister of Foreign Affairs from July 1945 to February 1957, are not open to all researchers in equal conditions.

"The Anglo-Saxons do not want under any circumstances the Communist danger in Spain -Carrero explained Franco few days later-. Only if they are convinced, or afraid, that any attempt at change would lead to such a danger, will they let the present regime go its way in peace. [...] The only formula for us must be: order, unity and hang on for dear life."⁶⁰

Churchill had stated at Potsdam the arguments that were to be used in many future occasions by his political opponents, the Labour Government: the United Kingdom was not ready to use the force but only diplomatic means to speed the departure of Franco, it would do nothing that could risk starting another civil war in the Spanish soil, it was against interfering in the internal affairs of any country and it did not want to risk the loss of its trade with Spain.⁶¹

Considering the text above the researcher has to question the real sense behind the so-called policy of siege (<<cerco>>), elaborated by the Ministry of Foreign Affairs, undoubtedly helped by the high echelons of the Administration. It served to favour the need for repression and reinforcement of the leadership. Already before the end of World War II, the so-called post-war *programming* -no more than a set of assumptions about the future behaviour of Western European nations of USA/URSS relations- had foreseen that Spain could be ostracised but that the Franco regime would not be removed from power by international action. The only element perfectly identifiable was the importance of economics. Thus, post-war economic reconstruction was to play a major role in the political designs of the Ministry of Foreign Affairs. The link between the Spanish economy and the European economy established during the war were clearly stated by Artajo as an essential input in his post-war policy.⁶² Therefore, to have an effective

⁶⁰. López Rodó, op. cit., p. 58. English version of this document from Qasim Ahmad: Britain, Franco Spain, and the Cold War, 1945-1950, New York [Garland Publishing, Inc.] 1992, p. 10. The reader interested to measure the gap between "policy" and public declarations should compare this text with the official Spanish response to the Potsdam note in Fernando Díaz-Plaja: La España franquista en sus documentos (La posguerra española en sus documentos), Barcelona [Plaza & Janés] 1976, p. 183.

⁶¹. Ahmad, op. cit., pp. 33 ff.

⁶². i.e., regarding the United Kingdom, Artajo argued that the British interests in Spain and Spain's supply to the United Kingdom were the "things that really matter", making them forget other political incursions regarding the nature of the regime and its reforms; MAE, Leg. 1374, exp. 10: Artajo to Duke of Alba, Ambassador in London, 30 July 1945, and MAE, Leg. 1768, exp. 2: Report on the preparatory meeting, London, to the first General Assembly of the United Nations, 5 January 1946. Although the topic of post-war *programming* has received much attention in the literature, there is not,

foreign economic policy and to control it under the aegis of the Ministry of Foreign Affairs was essential for the new foreign policy for the post-war. A monolithic body executing foreign economic policy within the Ministry of Foreign Affairs' guidelines became a matter of urgency.⁶³ Although the survival of the regime was theoretically at stake it was far from clear how to carry out the idea of installing an effective interministerial coordination.

The nature of post-war politics imposed its logic on Franco's Administration in regulating Spain's international economic relations. On the one hand, the political isolation suffered by the regime after the end of World War II favoured the pre-eminence of the Ministry of Foreign Affairs. On the other hand, the economic problems of Spanish reconstruction, its links with European economic reconstruction and the fact that, economically speaking, the Franco regime was suffering less from international punishment than from political dislike, at least during the period of relief following World War II, as will be shown in the following chapter, provided grounds for the economic department's request to lead foreign economic policy.

A new proposal was launched, at the end of the summer of 1945, to set up "an administrative mechanism as homogeneous and tied to the same principles as possible."⁶⁴ The preliminary remarks of the decree could not give a clearer indication of the failure of all measures adopted at coordinating both departments in the field of foreign economic policy. In previous years, as we have seen, difficulties in foreign economy were faced by creating *ad hoc* administrative bureaucracies within the different departments concerned. The opposition to any *ad hoc* unified administrative bureaucracy to deal with the complexities of foreign economy was formidable. So it remained. The new decision to

to my knowledge, any monograph on the matter. In my understanding the so-called programming was not more than a set of assumptions and not a real post-war peace programme.

⁶³. MAE, Leg. 4618, exp. 2: Note sent to the Ministers of Foreign Affairs and Industry and Commerce on 29 August 1945.

⁶⁴. MAE, Leg. 4618, exp. 2: Draft Decree -as it was sent to the Ministers of Foreign Affairs and of Industry and Commerce on 29 August 1945- promoting the Under-Secretariat for Commerce, Tariff Policy and Currency, within the Ministry of Industry and Commerce, to be technically dependent on both Ministries of Foreign Affairs and of Industry and Commerce.

achieve coordination between the Ministries to guarantee the desired *unity of action and execution* in foreign economic policy was limited to promoting the Under-Secretariat of Commerce, Tariff Policy and Currency. It was meant to be technically dependent on both departments though administratively dependent on the Ministry of Industry and Commerce. It was to receive instructions from both on how to execute the nation's foreign economic policy in all its aspects. It was to include the DG of Economic Policy (existing in the Ministry of Foreign Affairs and meant to remain there), the DG of Commerce and Tariff Policy and the IEME. There was no change in competence or attributes in the field of foreign economy since the new measure was to be implemented "without diminishing the attributes belonging to the ministries concerned."⁶⁵

The compromise solution thereby achieved remained as ineffective as the earlier attempts at coordination. The ineffectiveness of the new administrative formula in assuring permanent relations between both departments, as its main purpose was stated to be, is further illustrated by the launching of a new proposal less than a year later.⁶⁶ It consisted in turning the Under-Secretariat of Commerce, Tariff Policy and Currency into the Under-Secretariat of Foreign Economy. The name *Foreign Economy* to be given to the proposed Under-Secretariat was to confront the traditional label of *Commerce*. The later had limited competencies in foreign economic and Commerce policies but many in domestic economic policy. By contrast, the concept of *Foreign Economy* (the report uses the term *Doctrine of Foreign Economy*) limited its implications in the domestic fields to a minimum and enlarged those in foreign economy to all matters that have an impact on the balance of payments. All commercial problems within the Spanish market were administered by the Commissariat General for Supply and Transports (<<Comisaría General de Abastecimientos y Transportes>>) charged with problems of supply,

⁶⁵. MAE, Leg. 4618, exp. 2: Draft decree as handed over to the Ministers of Foreign Affairs and Industry and Commerce, on 29 August 1945.

⁶⁶. MAE, Leg. 4618, exp. 22: "Nota relativa a los problemas que se plantean en la Subsecretaría llamada de Comercio, Política Arancelaria y Moneda", Saint Sebastian, 29 July, 1946, n/s, probably drafted by the Director General of Economic Policy, Ministry of Foreign Affairs, for his Minister. The administrative implications of this document, qualified as a 'confidential report', were firstly pointed out in Viñas et al.: *Política Comercial Exterior*, cit., vol. 2, p. 522. In a later work, "La administración de la política económica exterior...", cit., p. 181 ff., Viñas attributed its drafting to the Director General of Economic Policy, Emilio Navasqués y Ruiz de Velasco.

merchandise distribution and consumer prices.⁶⁷ The report proposed to change its name to Under-Secretariat of Interior Trade and Supply, that is the domestic equivalent of the proposed Under-Secretariat for Foreign Economy, accentuating thereby the specific nature of foreign economic policy. That is, while the concept of commerce was limited to the exchange of products and the administrative mechanics of foreign economic relations, the concept of foreign economy pointed to broader politico-economic implications including tariff, fiscal, transport matters, agriculture, tourism, migration, patents and royalties. In other words, the concept of *foreign economy* consisted in the implementation of the principle of *unity in foreign action*:

"From a strictly political or tactical viewpoint the convenience of submitting the administration of the entire foreign economy to the same discipline seems evident. Otherwise, it would not surprise us to see the limited commercial benefits to the obtained decreasing due to losses attributable to negotiation and politico-economic conduct in any of the above mentioned matters."⁶⁸

The proposed Under-Secretariat of Foreign Economy would include (in administrative terms) the DG of Economic Policy. The latter would control most of the Under-Secretariat's functions. The DG of Foreign Trade and Tariff Policy of the Ministry of Industry and Commerce would be limited to the traditional function of merchandise exchange and tariff matters, that is, to the administrative mechanics of foreign commercial policy. The IEME would continue to administer foreign currency and exchange rates. A general Secretariat would be dedicated to the internal administrative matters of personnel and statistical services. The DG of Economic Policy would deal in exclusive terms with the functions of negotiation, direct conduct and monopoly of the information channels for all economic matters having an effect on the State's foreign economy. While the concept of commerce and commercial policy attributed competence in foreign and domestic trade to the Ministry of Industry and Commerce, the concept of foreign action implied a transfer of competence to the Ministry of Foreign Affairs. Thus, traditional commercial

⁶⁷. By Decree of 10 March 1939 the Commissariat General for Supply and Transports was set up, see Antonio José Narváez Bueno: Agricultura y desconcierto. La política de precios agrarios, Córdoba [Caja de Ahorros y Monte de Piedad] 1980, p. 105.

⁶⁸. MAE, Leg. 4618, exp. 2: "Nota relativa a los problemas que se plantean en la Subsecretaría llamada de Comercio, Política Arancelaria y Moneda", Saint Sebastian, 29 July 1946.

policy would be linked more closely than ever before to the general framework of foreign policy. The immediate implication of this perspective was that the Ministry of Foreign Affairs, through the action of its DG of Economic Policy in the Under-Secretariat for Foreign Policy, would finally gain complete control over foreign economy. It would, thus, reduce the task of the competing departments to limited technical aspects to be undertaken within its general guidelines.

1.5 The Under-Secretariat for Foreign Economy and Commerce

It repeatedly became evident that the existing structures of Government were inadequate for the tasks they confronted. The old system of *ad hoc* bureaucracies sheltered in different departments proved an effective opposition to a monopoly of foreign economy. The Ministry of Foreign Affairs tried again to reassert itself by appointing an interministerial body in which its administrative bureaucracy would hold a powerful position. A new attempt to shape the administrative structure for foreign economic policy was made in February 1947, when the Under-Secretariat for Foreign Economy and Commerce was created. As the preface to the establishing-decree stated, it was set up because

"coordination between the Ministries of Foreign Affairs and of Industry and Commerce, regarding the development of economic foreign relations, must be as close as possible to the advantage of the nation's higher interests".

It had taken six months for the higher political echelons of the regime to accept the idea of an Under-Secretariat and when they did, the project was executed with a slight difference. The original note from the DG for Economic Policy, as we have seen, had not considered extending the proposed Under-Secretariat to Commerce, Tariff Policy and Currency and included the same administrative bodies originally proposed by top civil servants at the Ministry of Foreign Affairs: the DG of Economic Policy, which was to be housed within the Ministry of Foreign Affairs, the DG of Commerce and Tariff Policy

"MAE, Leg. 4618, exp. 2: Under-Secretary for Foreign Economy, DG of Economic Policy, "Circular No. 2.115, Decreto-Ley de la Jefatura del Estado", 21 February 1947, BOE 27 February.

(Ministry of Industry and Commerce), the IEME and, after April 1947, the General Secretariat and the Office of Treaties and Commercial Policy. The Under-Secretariat was to be technically dependent on both departments, Ministry of Foreign Affairs and Ministry of Industry and Commerce, while depending administratively on the latter. It was to receive all the necessary instructions for the execution of foreign economic policy from both departments according to their legal attributions and competencies. Although the decree did not explicitly state what were the tasks of the new State office, it was clear that by transferring to it all the administrative and executive attributions in the field of foreign economic relations existing within the Ministries of Foreign Affairs and Industry and Commerce, the newly created Under-Secretariat had the difficult task not only of executing and undertaking instructions in matters of foreign economic policy coming from other ministries but also of administering the nation's international economic interests.

The task of unifying and coordinating the management of Spain's foreign relations in its economic and political aspects was far from easy. The decree left it to the ministries to work out the necessary administrative dispositions required to flesh out the legal text. It seemed as if control over the new office would come indirectly from control over the corps of commercial civil servants employed. Thus, the struggle then passed to the recruitment system for the new public officials. A few weeks after the Under-Secretariat had been set up, the commercial councilors and attachés were renamed as councilors and attachés for foreign economy (<<Consejeros y Agregados de Economía Exterior>>). The General Director of Commerce and Tariff Policy (at the Ministry of Industry and Commerce) proposed to his Minister that the recruitment of the new service for foreign economy should come from the diplomatic services and the corps of State commercial technicians, though not in equal portions. There was to be a higher ratio of two thirds of technicians, who would, apart from other special treatment, enjoy the prerogatives and immunity of the diplomatic staff.⁷⁰ The final decision reached was to recruit staff in

⁷⁰. MAE, Leg. 4618, exp. 2: Report on the creation of the Service for Foreign Economy by the DG of Commerce and Tariff Policy, Madrid, 17 March 1947.

equal portions.⁷¹ The new body was born from a consensus, but it constituted only a formal change of name, remaining as inefficient in coordinating the foreign economic policy of the nation as its predecessor. Its own double-headed nature and the mixture of officials of two powerful bureaucracies struggling for power, diminished the effectiveness of its actions.⁷² The Ministry of Foreign Affairs did not give up the idea of imposing its definition for foreign economic policy. In October 1948, a new official appeal to all Ministers was necessary to remind them that

"in the future, any issue examined by the different branches of the Public Administration, with either origin in or effect on an international dimension (...) has to be reported previously by the Ministry of Foreign Affairs. It is up to the Presidency of the Government to resolve cases of disagreement".⁷³

Important is to note that the role of intermediary was not given to the Council of Ministries or Cabinet where the ministers in dispute could try to obtain support from a majority within Government, but to the Presidency of the Government. In other words, Franco's inner circle remained in possession of the capacity to decide ultimately if there was a conflict between ministers.⁷⁴

There are two further elements to consider briefly regarding this case-study on the administration of the foreign economic policy, before moving to the conclusions. First, the problem of historical continuity of administrative habits in Spain is posed. Secondly,

⁷¹. Decree of 23 May 1947, see text in MAE, Leg. 4616, exp. 2: Dossier "Gestión del Primer Titular de la Subsecretaría de Economía Exterior y Comercio", n/d, p. 16. See this same report for the measures adopted by the Under-Secretariat in the first years of action and other measures to adapt the existing interministerial committees to the new administrative situation.

⁷². The diplomatic corps gained control over the Under-Secretariat. The diplomat Navasqués, who until February 1947 had run the DG of Economic Policy, was promoted to Under-Secretary, which post he held until the end of 1948. Then he was replaced by another diplomat Suárez Ferrer who remained as Under-Secretary until July 1951, being replaced again by a diplomat, Alba Delibes. Another diplomat, Yturralde, held the General Directorship of Economic Policy from February 1947. When in March 1947, a cabinet was created within the Under-Secretariat, again a diplomat, Núñez Iglesias, was promoted to this post.

⁷³. MAE, Leg. 6285, exp. 2, folder 3: Order 5998 from the Presidency of the Government, 29 October 1948.

⁷⁴. The research in the records of the Ministry of Industry and Commerce and the papers of the Under-Secretaries for Foreign Economy at the Central Archive of the State's Civilian Administration, Alcalá de Henares, Madrid, has not allowed the author to more clearly define the terms of this matter.

whether the Spanish experience was unique in Western Europe. In relation to the first point., this chapter cannot deal with how foreign economic policy was conducted before Franco, whether there was anything left of this method by 1947 and what principles of foreign economic policy were established by the Franco regime itself and how did they differ from those of the 1920s and first half of the 1930s. Just some hints are given.

It is well known that a significant part of the authoritarian regime's leadership (both political and technical) had already participated actively in the Administration during Miguel Primo de Rivera's dictatorial times (September 1923-January 1930) or had come from the right-wing personnel under the II Republic (April 1931-July 1936).⁷⁵ Coordination in foreign economic policy was a goal pursued during the 1920s and 1930s. The creation of the National Economic Council, by Royal Decree of 8 March 1924, attempted to concentrate the different attributes diffused among ministerial departments regarding commercial relations.⁷⁶ Little is known about the reasons that caused General Primo de Rivera to instal in November 1928, at the end of his regime's life, a Ministry of National Economy, although it could have been opposition to the protectionist tendency of the Council.⁷⁷ The Interministerial Commission for Foreign Trade, set up in November 1931 after the installation of the II Republic attempted to coordinate the commercial services dependent upon the Ministries of Economy and of State (the predecessor of the Ministry of Foreign Affairs), for the defence of the State's commercial interests.⁷⁸ The clearest element showing the continuity of administrative habits since the 1930s dates from the period after the November 1933 elections that gave way to a conservative government: an order issued in June 1934, reminding officials that any foreign contact ought to be channelled through the Ministry of State, constituted the first document of the first dossier containing the documentation upon which this chapter was

⁷⁵. Juan J. Linz: "Continuidad y discontinuidad en la élite política española. De la Restauración al Régimen actual", in Estudios de Ciencia Política y Sociología. Homenaje al Profesor Carlos Ollero, Madrid, 1972, pp. 361-423, especially pp. 410 ff.

⁷⁶. Gaceta de Madrid, no. 71, 11 March 1924.

⁷⁷. Gaceta de Madrid, no. 309, 4 November 1928.

⁷⁸. The Historical Archive of the Spanish Ministry of Foreign Affairs contains the minutes and documents of this Commission, which are of an extraordinary value.

drawn, if it was to serve as a model for new instructions in the field.⁷⁹ This latter element could prove that there was continuity from the pre-Civil War period on this matter.

The second element appears more challenging. It can be said that the question of administrative contestation of a monopoly in foreign economic policy is far from constituting a specific feature of the authoritarian regime. In many contemporary 1940s administrative experiences in Western Europe this phenomenon appeared. A comparative study with France proves significant in showing how bogus were some arguments put forward to give the Ministry of Foreign Affairs an active role in defining foreign economic policies. For instance, that the Franco regime's administrative organisation did not include anything like a Ministry of National Economy, which in close relation with the Ministry of Foreign Affairs could have formed the framework of the State's action in international questions of an economic nature, does not constitute a good basis for explaining the situation described in this chapter. In the French case, it was the Ministry of National Economy, created in September 1944 by the Provisional Government and placed under the direction of Pierre Mendès-France, who suffered from contestation by other ministries. This Ministry was given undefined powers over the economic ministries and soon demanded to be responsible for providing the general directives for conducting economic negotiations with foreign governments. To that much opposition was presented. President of the Provisional Government Charles De Gaulle, and, obviously, Minister of Foreign Affairs George Bidault, agreed that the Ministry of National Economy could help in the preparations of international negotiations, but argued that the Ministry of Foreign Affairs should conduct them. De Gaulle told Mendès-France: "La négociation ne saurait être menée que par le ministre des affaires étrangères" car "il importe de centraliser toutes les relations avec l'étranger entre les mains d'une même personne."⁸⁰ The Ministers of Finance and Agriculture also wanted some representation at international economic and financial negotiations. In spite of this, the solution adopted by decree in

⁷⁹. MAE, Leg. 6285, exp. 3, folder 11: Order dated on June 1934.

⁸⁰. Meeting on 9 October 1944 of the Comité économique interministériel, cit. in Pierre Gerbet et al.: Le relèvement, 1944-1949, Paris [Imprimerie Nationale] 1991, p. 240. For the problem of inter-departmental coordination and the losing of the diplomatic monopoly of external representation and initiative in the French case, see chap. VII.2, pp. 239 ff.

November 1944 was that of securing a concentration of economic powers in the hands of the Ministry of National Economy. This was supposed to co-ordinate the actions of ministries dealing with economic matters and to propose to the French Government general directives for the conduct of economic negotiations with foreign countries. The resignation of Mendès-France in April 1945 could partially be explained by the fact that he could not set up a powerful independent Ministry of National Economy and that all the ministries concerned managed to evade the intended check on their activities.⁸¹ In the future, the compromise between the Ministry of Finance and the Quai d'Orsay will lead to the creation of the Interministerial Committee for European Economic Cooperation (the so-called "Comité interministériel pour les questions de coopération économique européenne") after June 1948 in order to coordinate foreign economic policy.

Italy presents another case of conflict between the Ministry of Foreign Affairs and the technical departments. In April 1947, Italy's Minister of Commerce asked his colleague in Foreign Affairs to face foreign economic relations, including commercial relations, "organically, as a whole, following pre-established plan and with criteria regarding the unavoidable economic needs".⁸² In his letter, the Minister of Commerce insisted upon considering criteria of technical aptitudes and economic preparation for those sent as representatives of the State abroad and for selecting the heads of the commercial delegations following these criteria. The Minister insisted, again in October, that trade relations and commercial attachés were to be dependent on his ministry. A previous attempt to do this was undertaken when De Gasperi was Minister of Foreign

⁸¹. See Frances M.B. Lynch: "Resolving the Paradox of the Monnet Plan: National and International Planning in French Reconstruction", The Economic History Review, Second series, vol. 37, no. 2, May 1984, pp. 229-43, pp. 233-34; Stephen S. Cohen: Modern Capitalist Planning: The French Model, Berkeley [University of California Press] 1977 (1969), pp. 38 ff.; and Philippe Mioche: Le Plan Monnet. Genèse et élaboration 1941-1947, Paris [Publications de la Sorbonne] 1987, pp. 42 and 47. For a first-hand account, see Pierre Mendès-France: Oeuvres complètes. Vol. II Une politique de l'économie 1943-1954, Paris [Gallimard] 1985, pp. 55-72, for his program for a Ministry of the National Economy, pp. 157-161 for the role played by this Ministry, pp. 115-128 and 148-152, for the causes of his resignation, specially highlighting the description given in p. 151 of the "décourageant désordre qui règne dans le Gouvernement en ce qui concerne son action économique."

⁸². ACS, records Segretaria De Gasperi, file (fascicolo) no. 11: Letter to the President of the Government, De Gasperi, 30 April 1947, cit. in Mariuccia Salvati: "La dirigenza dei ministeri economici, 1945-51", Italia Contemporanea, vol. 153, December 1983, pp. 183-207.

Affairs and then rejected. Sforza emphasised the "political" character of commercial relations and opposed technical direction of trade relations, which would probably be of a protectionist character. Carlo Sforza went as far as proposing the dissolution of the Ministry of Commerce!⁸³ It is not difficult to imagine how closely the intentions of the Italian Ministers of Commerce and Foreign Affairs were to their Spanish counterparts.

The British Administration, under the Labour Government, could not avoid this common pattern of departmental confrontation over the nature of the nation's foreign economic policy. Recent research on British postwar policy towards Germany shows the opposed positions of the Foreign Office and the trade and technical departments headed by the Board of Trade and the Ministry of Supply. The Foreign Office was more concerned to create a common Allied position whereas the other two departments were concerned with the condition of the national economy. This situation produced deep antagonism within the Cabinet.⁸⁴

Other research in various aspects of international relations of different countries, presently carried out at the EUI Research Project "Challenge and Response in Western Europe: The History of European Integration", provide more examples in which one could find many similarities with the Spanish case. Problems of administrative efficiency and overlapping of competence, the abandonment of economic criteria when dealing with foreign relations, appeared everywhere in the western world. Confrontation by the Ministry of Foreign Affairs with the other departments with some degree of interest in foreign matters is a natural phenomenon. It could not be otherwise for a department that benefits from such ambiguous institutional competence of representing the State abroad.

⁸³. Sforza to De Gasperi, 17 October 1947, in *ibid.* Salvati (p. 198) writes the following: "[E'] proprio nel] campo degli scambi con l'estero (dalla radiazione dei piani del 1945 alle tariffe doganali del 1949-50) ...] che si segnalano i conflitti di più lunga durata. Essi investono problemi di coordinamento tra il ministero del Commercio Estero e il ministero degli Affari Esteri che vanno dalla composizione delle delegazioni incaricate di condurre la trattative commerciali (membri esterni da includere, designazione del presidente ecc. ...), alla direzione degli addetti commerciali, allo scioglimento stesso del ministero del Commercio Estero."

⁸⁴. Carl Glatt-Hackney: "Industrial Reconstruction, Reparations, Science and Industrial Technology: The United Kingdom and its Zone of Occupation in Germany (1944-1952)" Ph.D.Diss., EUI, Florence (forthcoming). He also shows how European economic cooperation was a feature in the dismantling of the German industry, although official Europeanism has forgotten about it.

Furthermore, confrontation between ministerial departments and civil servants is very much inherent to the very nature of bureaucracies themselves. Notwithstanding this, political and economic circumstances as well as institutional differences provide necessarily different administrative models. The very particular circumstances that characterized the Spanish regime and its Administration, as described before, gave way to an extreme way of dealing with foreign economic policy. Obviously, examples of countries, periods of time and historical episodes in which political factors had overwhelming importance and were imposed over all other considerations, could surely be found in Western Europe. What renders the Spanish model unique is the degree in which political considerations were designed to be predominant.

1.6 Conclusions

The principle of *unity in foreign action* was fully operational when Spain faced the first steps towards European economic cooperation. Being an essential point for this Thesis and a good tool of analysis, I have given a lengthy and detailed account of the administration of the Spanish foreign economic policy. The scope of this was to present the way this principle was elaborated and the forces that opposed it. Based on this principle the Ministry of Foreign Affairs would claim to play a determining role in the Spanish State's foreign economic policy.

The Spanish Administration's reaction towards European integration was not to be an exception to the rule. Struggle between the Ministry of Foreign Affairs and the so-called technical departments involved in foreign economic policy at different stages was to be presented throughout the period examined in this Thesis. The post-1947 events will be part of the following specific chapters where the reader will find what is missing here, that is the policy-outcomes as adopted in each of the cases of study. The reader might go directly to the final section of chapter seven (7.5.) to find out how the administrative mechanics of foreign economic policy were influenced by Spain's experience with Western European economic cooperation and how a rationalisation of the experience took place, constituting the basis for better known future policy options.

When World War II was about to end the strategic importance of foreign economic policy was a foremost concern for policy-makers. Since departmental competencies were not clearly defined, a sharp struggle developed. It was realized that it was going to be practically impossible in the situation with the Allies to consider the political and economic aspects of the international problems of reconstruction separately. Thus, it appeared essential to establish an administrative system securing a unity of criterion and execution in the foreign economic relations of the nation in harmony with the political premises of the regime as carried out by the Ministry of Foreign Affairs. The monopoly of foreign economic action by the Ministry of Foreign Affairs, as *unity in foreign action* had foreseen at the time, meant the extreme use of commercial policy as a diplomatic instrument, incorporating the nation's economic relations in the atrophy and stagnation distinguishing the diplomatic relations of the Spanish State. This implied the abandonment of economic criteria when dealing with foreign economic relations and its replacement by the politico-diplomatic guidelines of foreign policy.⁴⁵ As this Thesis will show, this principle represented the attempt by the Ministry of Foreign Affairs to use the limited bargaining power represented by economic relations in its strategy to overcome the Franco regime's international political isolation.

The principle of *unity in foreign action* was an immediate result of the Cruzada character adopted by the Ministry of Foreign Affairs regarding post-war international relations. The constant need was to prove that an external threat was necessary to justify continued and strict controls over the country's political, social and economic life. The first post-world war governments were commonly recognized as governments of crisis facing foreign intervention. This type of justification was of necessity to be maintained because the strength of Franco's power was his claim to defend Spain from foreign intervention. The principle of unity showed the validity of the idea that the foreign threat continued to be as strong as in 1939.

⁴⁵. This was a parallel phenomenon to the domestic sphere, see González: La economía política del franquismo, cit., p. 310. Particularly for the first half of the 1940s, see Carlos Velasco Murviedro: "El <<ingenierismo>> como directriz básica de la política económica durante la autarquía (1936-1951)", Información Comercial Española, February 1984, no. 606, pp. 97-106.

In this chapter only two departments have appeared on the stage; the Ministry of Foreign Affairs and the Ministry of Industry and Commerce. When the unity principle does not apply, some form of coordination between the department competent in foreign affairs and that directly interested in foreign economy becomes essential. The chaotic situation that characterized the period before Jordana's arrival was not going to facilitate such aims after the war. What emerges from this chapter is the extreme difficulty and limited success in obtaining an effective administrative coordination despite the existence of a strong political wing. The best proof of this are the many references, present in all the documents, to the lack of precision in administrative coordination and the undefined nature of the status of the personnel in the foreign economy. The struggle between Ministries and their respective civil servants gives a basis for explanation.⁸⁶ The Spanish Administration was not a monolithic entity in executing the political will deriving from the higher political spheres of the regime in foreign economic policy. This could be interpreted as a result of Franco's balancing act, which produced weak administrative structures.

One consequence of the struggle for control in foreign policy was the weak development of the technical staff dealing with foreign economic matters. When in 1944/45 the service for Foreign Economy was proposed, the required staff amounted to sixty councilors and secretaries for Foreign Economy.⁸⁷ In October 1953, the active number of councilors and attachés for Foreign Economy amounted to fifty-seven, of which twenty five resided in Madrid.⁸⁸

A further conclusion is of more far-reaching consequence. The policy makers at the Ministry of Foreign Affairs who aimed to control foreign economic matters always admitted that the rest of the Ministries could have a *limited* intervention in *technical*

⁸⁶. "In spite of their best desires, they [ministries and civil servants] ran up against the obstacles that naturally derive from this administrative disparity." MAE, Leg. 4618, exp. 2: "Esquema de una Ley-Organica de la Subsecretaria de Política Económica Exterior", n/s, n/d.

⁸⁷. MAE, Leg. R. 4618, exp. 2: Draft Project establishing the service for Foreign Economy, n/d, dated between November 1944 and summer 1945, most probably closer to the first date.

⁸⁸. MAE, Leg. 5185, exp. 1: "Escalafón al 31 de octubre de 1953 del servicio de Consejeros y Agregados de Economía Exterior".

aspects. What would happen when the other departments apart from the above two became involved in foreign economic matters? European interdependence speeded up this situation. The technical departments would try to obtain as much as they could by pulling matters into their limited field of action, that is in a technical direction. Later they were to show that product agreements, currency and tariff matters, and so on were not so *limited* and *technical* as their colleagues in Foreign Affairs believed. These matters had broad politico-economic implications. By acting in this way the rest of the departments could try to reduce the political element involved in foreign economic policy, and thus in turn the political interference of Franco and Franco's inner circle. By doing this they tried to salvage foreign economic policy from the rule of *foreign policy* and the Monopoly of the Ministry of Foreign Affairs. The Ministry of Industry and Commerce mostly contributed to this at an early stage and, as we will see in the following chapters, the three Ministries of Agriculture, Commerce and Transport played their part when their interests were involved. When the debate between the Ministry of Foreign Affairs and the technical ministries was established, the technical argument could only favor the Ministry of Industry and Commerce, who pushed to have better prepared professionals to deal with foreign economy matters. For the Ministry of Foreign Affairs to press for a split between technical and political matters at this early stage would have involved the risk of losing power and competence in the foreign policy field in the 1940s, when foreign economic policy increasingly became the dominant aspect of the nation's foreign policy. By contrast, the Ministry of Foreign Affairs strongly objected to mixing political and technical issues when facing international patterns. In these cases, in the face of international political dislike for the Franco regime, it was useful to hide matters under the cover of technical issues. During the first half of the 1950s the idea of unity in foreign action and, thus, control over foreign economic policy was revived. It occurred while dealing with the various failed attempts at looser European integration, agricultural and transport pools.

The situation described in this chapter cannot be explained in terms of independent personalities enjoying freedom of action from competing among themselves. The only feasible explanation comes from the fact that Spain, in the same pattern of the rest of Western European nations, used its limited economic bargaining power to achieve

its diplomatic goals. Although this is a normal pattern of international behavior, which we could find elsewhere, Spain seems to have pushed it to extremes given its post-war stringent international political isolation. European integration is the perfect testing ground of this, as will be shown in the following chapters. The Spanish government opted for a single administrative centre of an interministerial character and the administrative rank of Under-Secretary to obey a single rule in foreign economic policy. The future developments with which we will be dealing with in the coming chapters will show how effective this double-headed politico-administrative option in foreign economic policy was. The hypothesis that could be advanced is that Franco Spain's foreign economic policy was to face a new set of complex situations in multilateral frameworks with the instruments of antiquated statecraft. The broad politico-economic implications of the various forms of European integration convulsed the traditional structures of foreign economic policy. Therefore there was to be an inevitable misunderstanding of facts and lack of mastery in policy definition.

Chapter 2:

TRADE VERSUS POLITICAL DISCRIMINATION: SPAIN'S ROLE IN WESTERN EUROPEAN ECONOMIC RELIEF AND [EARLY PHASE OF] RECONSTRUCTION, 1945-Spring of 1947

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"Les pyrites n'ont pas de parti."
Charles de Gaulle, October 1945¹

"Il n'y a pas d'oranges fascistes,
il n'y a que des oranges."
George Bidault, September 1947²

2.1. Introduction

Spanish historiography has argued, after 1975, that the ostracism the Franco regime suffered after World War II was not as tight as had been assumed by its propagandists.³ It has also assumed that trade relations were the narrow path of escape

¹. Charles de Gaulle: Discours et Messages vol.I Pendant la guerre Juin 1940-Janvier 1946, Paris [Plon] 1946, Press Conference of 12 October 1945, pp. 627-41, pp. 640-41.

². Bidault, France's Minister of Foreign Affairs, at the National Assembly's Foreign Affairs Commission in September 1947, while discussing the consequences of having the Franco-Spanish border closed. Archives de l'Assemblée Nationale Française, minutes of the Foreign Affairs Commission, 12 September 1947.

³. Hypothesis first launched by Joan Esteban: "The Economic Policy of Francoism: An Interpretation", in Paul Preston (ed.): Spain in Crisis. The Evolution and Decline of the Franco Régime, Hassocks [The Harvester Press] 1976, pp. 82-100, p. 93: "isolation was a deliberate aim of Francoist economic policy, (...) the blockade on the one hand was the consequence of

that allowed the Spanish Administration to escape international political ostracism. Literature in the field, however, has not provided a clear explanation of how, when and why things happened as they did. The present chapter, as well as the following one, will try to concentrate on these aspects. From the perspective of Western European economic cooperation, this research will try to provide an account of the implementing mechanisms of international political, and supposedly economic, discrimination against Franco Spain, as well as the economic, political and institutional consequences of discrimination. This chapter will show the external aspects of discrimination as adopted by the western bloc, using the case-studies of France and the United Kingdom. The following chapter, with the help of a case-study on the European Recovery Program, commonly known as the Marshall Plan, will deal with the domestic sphere, that is the actual courses of action adopted by the Spanish Administration in its relations with Western Europe. In other words, this research will show that the relevant question, when approaching the economic implications of international post-war ostracism against the Franco regime, lies in determining what responsibility belongs to the Franco regime's economic policy and what to the negative impact of international political dislike against it.

This chapter will show how the needs of relief and reconstruction during the period immediately after the war caused Western European powers to lay aside their distaste of the Franco regime. It will contrast the Spanish Administration's wide room of manoeuvre in trade relations with its international position during the first two years after

the political choices made by the régime and on the other it was not very tight". The argument was further developed by Angel Viñas et al.: Política comercial exterior en España (1931-1975), 2 vols., Madrid [Servicio de Publicaciones, Banco Exterior de España] 1979, chapter 4. The Franco regime's representatives had argued that trade disruptions imposed by the Second World War and the international boycott until 1953 were the main responsible for the low post-Civil War economic recovery, i.e. Higinio Paris Eguilaz: El Desarrollo Económico Español, 1906-1964, Madrid, 1965, p. 192, and Juan Velarde Fuertes: "Política de desarrollo", in Enrique Fuentes Quintana (ed.): El desarrollo económico de España. Juicio crítico del Informe del Banco Mundial, Madrid [Revista de Occidente] 1963, p. 20. The latter's views were strongly opposed by Luis Gamir: "El período 1939-1959, la autarquía y la política de estabilización", in Gamir (ed.): Política económica de España, Madrid [Guadiana] 1972, pp. 11-25. For a representative explanation of Franco regime's economic performance by a top official of the Spanish Administration, see Juan Antonio Suanzes Fernández: "Franco y la economía", in Suanzes: Ocho discursos de Suanzes, Madrid [Instituto Nacional de Industria] 1963, pp. 123-63. Suanzes was Minister of Industry and Commerce between January 1938 and August 1939 and, again, between August 1944 and July 1951 and permanent President of the Institute of National Industry after its creation in 1941.

the Second World War. The hypothesis of departure is that the political discrimination and ostracism that Spain suffered immediately after May 1945 due to the origins and nature of its political regime, were not accompanied by an equal rebuff in economic relations. This was mostly due to the contribution that the Spanish economy could and did offer to the relief and reconstruction of Western European economies in the period of demobilisation and abrupt conversion from war to peace-time production. Whether or not the Spanish economy had fully benefitted from the opportunities offered by economic relief and reconstruction is another question, left for the following chapter.

Relief relates here to the supply of goods in the form of alternatives to the decline in European production. On the contrary, reconstruction was not then limited to repairing war dislocations and damage and to the restoration of capital equipment but implied essentially transforming the European economies through a rationalisation and a modernisation of their structures on the basis of a specific "institutionalized pattern of economic interdependence", setting the departure of an exceptionally long economic boom.⁴ This chapter will refer to the early phase of reconstruction, that is when it took place as a result of separate -often conflicting- national reconstruction policies. From Summer 1945 to Spring 1947 relief and, most especially, reconstruction efforts were so vast that any contribution to ease its path was welcome, despite ideological considerations as the political regime ruling over countries of supply. This is the sense of the formula *trade versus political discrimination* that introduces the title and that de Gaulle and Bidault might have given to the declarations that open this chapter.

The present chapter was not conceived merely as a study of diplomatic relations, either bilaterally with any individual country or a juxtaposition of several bilateral accounts.⁵ This chapter is not conceived within the mono-subject syndrome, adopting a

⁴. For the extensive use of "reconstruction", see Alan S. Milward: The Reconstruction of Western Europe 1945-51, London [Methuen] 1987, pp. xvi, chapter one "The Crisis of 1947" and "Conclusions". Quotation in text, in p. 470.

⁵. The United Kingdom and France are the only Western European countries whose post-1945 relations with Spain have been studied. Unfortunately nothing has been done for Germany, up to my knowledge. The most recent surveys of the German historiography on Franco Spain give none reference regarding post-1945 international relations, see Walther L. Bernecker: "Historiografía alemana sobre la época franquista. Estado de las

somewhat different perspective. It attends chiefly to those developments that turned out to be significant not so much for the immediate post-world war period as for Spain's attitude towards multilateral economic cooperation that was to follow it. The first step will be to determine Spain's role in the earliest general efforts for European economic reconstruction. To face the so-called 'Spanish question', that is the political ostracism against the Franco regime, without looking into Spain's role in Western Europe's main problem, its economic reconstruction, seems senseless. To understand Spain's position towards European multilateral cooperation without being conscious of the lessons learned from the reconstruction of normal trade patterns after the world war seems complete nonsense. Spain's trade experience with its future most important economic partners in Western Europe during the years covered in this chapter accustomed the Spanish Administration to a way of dealing with international economic relations. This set of

investigaciones", Hispania, vol. 46, no. 162, 1986, pp. 197-217, and Von Walther L. Bernecker: "Spanien 1914-1975", in Wolfram Fisher, Jan A. Van Houtte, Hermann Kellenbenz, Ilja Mieck, Friedrich Vittinghoff: Handbuch der Europäischen Wirtschafts- und Sozialgeschichte, Stuttgart [Klett-Cotta] 1987, vol. 6, pp. 946-48. For the political aspect of British-Spanish bilateral relations see Florentino Portero's edited Doctoral thesis Franco Aislado. La cuestión española (1945-1950), Madrid [Aguilar] 1989, which despite its title is mainly an account of British policy towards Spain, using secondary sources for the American and French perceptions. A more interesting study is Qasim Ahmad: Britain, Franco Spain, and the Cold War, 1945-1950, New York [Garland Publishing, Inc.] 1992, though the fact of not using any Spanish records and bibliography limits the validity of some of his conclusions. For the political aspect of Franco-Spanish bilateral relations see: Pedro Martínez Lillo: a) "Una introducción al estudio de las relaciones hispano-francesas (1945-1951)", brochure of the Juan March Foundation, Serie Universitaria no. 228, Madrid, 1985; b) "Una aproximación al estudio de las relaciones bilaterales hispano-francesas durante la posguerra. El "affaire" fronterizo en la perspectiva del Quai d'Orsay (1946-1948)", Revista de Estudios Internacionales, vol. 6, no. 3, July-September 1985, pp. 567-99; and c) "Francia y la cuestión española en el Tercer Período de Sesiones de la Asamblea General en las Naciones Unidas", in Alberto J. Lleónart Anselm: España y la ONU, vol. III (1948-49). La <<cuestión española>>, Madrid [CSIC] 1985. Both Portero and Martínez are considered part of the new "generation of young historians on foreign policy", J.C. Pereira: "Reflexiones sobre la historia de las relaciones internacionales y la política exterior española", Cuadernos de Historia Moderna y Contemporánea, no. 8, 1987, pp. 269-89. A more challenging approach to the Allies' policy towards Spain in the period from 1944 to 1947 uses a multi-national approach through British, French and American (but not Spanish) records, Paola Brundu Olla: Ostracismo e Realpolitik. Gli Alleati e la Spagna franchista negli anni del dopoguerra, Cagliari [C.E.L.T. Editrice] 1984. An excellent summary of its French side is "L'Espagne franquiste et la politique étrangère de la France au lendemain de la deuxième guerre mondiale", Relations internationales, no. 50, 1987, pp. 165-81. This article reveals for the first time the strong contradiction between political ideology and commercial requirements. In my understanding she gives most importance to political factors and the responsibility of opposition forces to Franco. The subsequent publication of Anne Dulphy: "La politique de la France à l'égard de l'Espagne franquiste, 1945-1949", Revue d'histoire moderne et contemporaine, vol. 35, January-March 1988, pp. 123-40, does not provide any additional information.

assumptions was subsequently to prove inadequate because attempts to formalise European cooperation modified the pattern of European economic relations, as the following chapter will show. In any case, Spain's commercial experience during the immediate post-world war period was to condition the Government's approach to the first attempt at European multilateral economic cooperation.

2.2. Spain's Contribution to European Economic Relief and Reconstruction

When on the 7th of May 1945, the Third Reich capitulated, Franco was not in an easy situation. The Franco regime was among the problems to be solved in the new post-war international order and Spain's political position in the international arena after the Second World War could be labelled as that of a pariah with no possible initiative.⁶ The internal *democratisation* of the regime, taking place immediately after the end of the war in Europe, with the intention of finding accommodation in the changing pattern of the international situation, failed to convince international public opinion. Western Europe was in a very delicate position regarding Spain; in particular France and Great Britain. Opposition to the Franco regime received sanctuary in both countries and looked to these Governments for ideological guidance and material assistance. The strategy common to all opponents of Franco was based on the call for the overthrow of Franco as a just corollary of the war and their efforts. The number of Spaniards who fell in combat against the Axis forces was their testimony. Some 6,000 Spaniards died fighting in the ranks of the French army, 14,000 were taken prisoner and 8,000 refugees died in concentration camps on French territory or were deported to Spain.⁷ The Spanish opposition leaders

⁶. Peter Lane: Europe since 1945. An Introduction, London [Batsford Academic and Educational] 1985, p. 216. Contemporary publications provide perfectly this perception. A most useful guide to these for the entire period covered in this Thesis is Norman S. Field: League of Nations and United Nations Monthly List of Selected Articles. Cumulative 1920-1970, New York [Oceana Publications] 1971, Vol. II. Political Questions 1929-1945, pp. 739-40, and Vol. III Political Questions 1946-1960, pp. 841-42 (for 1946-1950) and pp. 983-86 (for 1951-1955).

⁷. Michel Legris: "Les espagnols, en deça des Pyrénées... I.- La fin de l'espoir", Le Monde, 8 January 1964, p. 6. Paul Preston put the number of Spaniards who fell in combat against the Axis forces at 20,000, "The Decline and Resurgence of the Spanish Socialist Party During the Franco Regime", European History Quarterly, vol. 18, no. 2, April 1988, p. 210.

constantly reminded the Allies that they had a moral debt to a democratic Spain. In both France and the United Kingdom there existed a hard and vigorous core of Franco-haters, many of whom had fought with the International Brigade in Spain. In both, there was some strong political formation ready to cause difficulties if their respective governments decided not to follow a strict policy against Franco. In France, the Communist Party was the most organised political force and in Britain the Labour Party was committed to its previous position during the Spanish civil war when it had bitterly criticised the Conservative policy of non-intervention. On the international stage France and the United Kingdom had endorsed the various Allied resolutions on Spain. In particular, the Labour Government that took office on 26 July 1945, was strongly committed to the Potsdam Resolution on Franco Spain.⁸

The political nature of governments in Western Europe after the first post-war round of free elections was inauspicious for the Franco regime. In Belgium the immediate post-war period was dominated by the Socialist Party that formed various coalitions with the Liberals and Communists from 1945 until 1947, when it entered a two-year coalition with the Christian Socials. In the Netherlands, the Labour Party was in power in coalition with the Catholic People's Party. Although in Denmark, after the elections of October 1945, Social Democrats were displaced by a coalition of liberals and radicals, with a shift to the right, Social Democrats and Communists formed a strong opposition. Finally, in Sweden and Norway majority Labour governments were in power and stayed in power until September 1948 and November 1951, respectively. Given this situation, no political compromise with the Franco regime was ever possible and Spain was to be excluded from all new institutions of a European, as well as world, scope created for the new post-war international order. Western Europe's populations could not easily forget that Franco had received help from Hitler and Mussolini during the Spanish Civil War. Moreover, the nature of the *Nuevo Estado* provided further arguments to maintain the rejection. Notwithstanding this, the important point here is that confronted with this picture most Western European countries rapidly restarted commercial trade with Spain.

⁸. See chapter one, pp. 33 ff., for a more detailed account of the information compressed into the paragraph.

Since 1945 Spain negotiated trade and payment agreements with a number of countries, mostly European that later were to be involved in the Marshall Plan.⁹ Denmark had after August 1941 renewed annually its commercial arrangement with Spain, while Portugal had an agreement with Spain presented for revision every six months by a Joint Committee. Portugal provided timber and colonial produce (mainly oils and foodstuffs) in exchange of potash, iron, steel and lead. Spanish-Swiss trade was greatly developed during the war, and Switzerland, already in July 1944 and then in May 1945, exchanged notes on financial questions with Spain providing for the exchange of Swiss machinery, electrical equipment and chemicals, in return for a wide variety of Spanish exports. In July 1945 the exchange of notes was transformed into an agreement on financial and merchandise traffic regimes, renewed in September 1946 and in December 1947.

In May 1945 the Spanish Cortes approved a Ptas 76 million credit to Italy (the same amount of Mussolini's aid during the Spanish civil war).¹⁰ Italy signed a trade and payments agreement in December 1945, and renewed it in August 1947. Italy was to export chiefly vehicles, chemicals and many types of machinery, and to receive in exchange iron ore, rosin, turpentine, lead, anchoives, tunny and cork. The Netherlands and Sweden exchanged notes with Spain establishing a commercial and payments *modus vivendi* in January 1946. The Netherlands enlarged theirs in April and transformed it in a trade and payments agreement in October, valid for a year. The agreement established the "most favorable" trading clause for the two countries, but basically governed the exchange of Spanish agricultural goods, iron ore, woollen and rayon goods, and potash for much-needed Dutch petroleum products as well as rubber, copper and tin from the

⁹. A complete list of bilateral treaties can be obtained from Ministerio de Asuntos Exteriores, Secretaría General Técnica, Servicio de Información: Censo de Tratados Internacionales suscritos por España desde 16 de Septiembre de 1125 a 21 de Octubre de 1975, Vol. I Bilaterales, Madrid [Imprenta de la Oficina de Información Diplomática] 1976. The following paragraphs are based on it. For subsequent information about Spain's bilateral trade activities see chapter three, p. 214 and chapter five, pp. 358 ff.

¹⁰. AD, 2/E vol. 92: Jean Hugues, Commercial Counsellor, Chief of the Economic Division at the French Delegation in Spain, to the Minister of the National Economy, 17 May 1945. For a study of the Italian aid to Franco during the Spanish Civil war and its subsequent payment see Angel Viñas: "La financiación exterior de la guerra civil", in Hugh Thomas (ed.): La guerra civil española, Vol. VI, Madrid [Ed. Urbión] 1979, reproduced in Viñas: Guerra, dinero, dictadura. Ayuda fascista y autarquía en la España de Franco, Barcelona [Crítica] 1984, pp. 168-204.

Dutch East Indies, and seed potatoes, electrical, Diesel engines and breeding stock from Holland. It was renewed in December 1947 and complemented in March 1948.

Sweden, although the Social Democrats were in power after October 1946, renewed its commercial and payments *modus vivendi* with Spain in October 1946 and July 1947. Sweden was to export timber and wood pulp, special steels, marine Diesel engines, roller bearings and electrical equipment, and to receive in exchange oranges, potash, cork, grapes, and cotton textiles. In practice bilateral trade was conducted on a compensation basis. A proper trade agreement between both countries was signed in July 1948. In February 1946 a trade and payments agreement was signed with the Belgium-Luxembourg Economic Union, but it was never ratified. Maybe the arrival of a Socialist Prime Minister to power on 31 March 1946 in Belgium could explain it. Nevertheless, the agreement was largely carried into practice since the beginning of 1947. It provided for an exchange of Belgian sulphate of ammonia, copper sulphate, iron and steel products and a wide variety of machinery against oranges, potash and pyrites. Ireland also signed a trade and payments agreement with Spain in 1946 and renewed it in September 1947 providing primarily for the exchange of seed potatoes from Eire for Spanish potash. Norway, with a Labour Government in power in November 1945 with an absolute majority, signed commercial agreements with compensation. So did Turkey. Even with the Allied Control Council in Germany an exchange of notes took place on 28 October 1946, renewed in May 1947. When the Federal Government took office in September 1949 a formal bilateral trade and payments agreement was finally signed with Spain.

Finally, despite the fact that both the United Kingdom and France were considered by official Spanish propaganda as the leaders of post-world war international political ostracism of Franco Spain, they also competed for a fair share of Spain's products. France signed a very beneficial trade agreement with Spain on 15 September 1945 and, once the border problem was over, rushed to obtain a new trading agreement to recover lost trade, signed on 8 May 1948. The clearing of 18 March 1940 and its secret protocol of November 1940 (signed in April 1941) were still in force for the United Kingdom after the war, and bilateral trade with or without formal agreements was eagerly promoted.

All Western European governments tried their best to avoid political questions complicating their economic relations with that country, given the dominant features of the post-war economic situation of Western Europe.¹¹ The economic position of Western European countries after the war varied widely. Some of them had to undertake extensive repairs of war-damaged production capacities, while others emerged from the war with their resources of real capital virtually intact. Most of them, however, faced certain common problems. All Western European governments aimed at quick relief for their populations, and in the shortest possible time the restoration of Europe's capital equipment and pre-war standard of living either by domestic production, trade, interest-free loans or grants. The modernisation of economic structures appeared necessary to take full advantage of the new economic international order set for the post-world war era, as envisaged at Bretton Woods in July 1944 and eventually embodied in the International Monetary Fund and the International Bank for Reconstruction and Development. This was a much more difficult target to reach and implied a long-term adjustment problem requiring all resources available. The restoration of a healthy peacetime economy involved heavy imports. Quick relief implied imports of foodstuffs, especially grain, as well as consumer goods, adding to the import pressures imposed by economic reconstruction. When an immediate increase in exports or gains from invisibles were impossible, large import programmes were designed for fuel and raw materials, industrial materials like timber, iron and steel, and manufactured goods such as chemicals, machinery and replacement parts necessary to the effective utilisation of existing production resources, vehicles and ships. Some of the countries suffering little or no physical damage during the war, with production near or above pre-war levels, revealed a ratio of exports to production in 1946/47 only about two-thirds or less of the 1938 relationship, whereas their imports were near or sometimes well above pre-war levels in both absolute and relative

¹¹. The Department of Economic Affairs of the Economic Commission for Europe of the UN (ECE) elaborated since March 1948 a series of studies of the economic conditions of Europe. The first, A Survey of the Economic Situation and Prospects of Europe, Geneva, 1948 (henceforth referred as ECE, A Survey), contains an overall analysis of the European economy for 1945-1947, extensively used here. Chapter one of Milward's op. cit., provides a general interpretation of the main politico-economic goals as well as of the international implications of most Western European post-war reconstruction programmes. A short account is Alec Cairncross: "Post-War Planning in Europe, 1945-47", Okonomi eq politik, vol. 60, no. 4, 1987, pp. 213-23.

terms.¹² In other words, strong balance-of-payments deficits were to finance recovery and modernisation of the European economies.

Any large programme of imports implied a burden on the balance of payments, most especially towards the dollar area, which contained the only large surpluses available for world trade. The decline of intra-European trade (Eastern flow towards Western Europe and between Western European countries) in foodstuffs and raw materials aggravated Europe's dependence on overseas supplies, grains and coal in particular. To reduce the huge deficit in their overseas balance of payments the European economies had to increase their overseas exports and constrict their overseas imports, especially with the United States. European nations thus aimed at raising their capacity to export while also developing those industries that provided substitutes for overseas imports. In manufactured goods, the emphasis rested on heavy industries (iron and steel, chemicals and engineering industries), whose products came almost entirely from the United States. To increase industrial production Europe raised its imports of raw materials and manufactured goods from overseas compared with pre-war levels. Therefore, agricultural output was to be pushed upwards to save some dollar imports, and in the short term, due to strong deficits in hard currencies, Europe had to force a reduction in food supply from overseas, limiting as much as possible purchases other than grains. It is in within these set of circumstances that the role to be played by the Spanish economy can be assessed.

The Spanish Administration's collaboration with the general effort of European relief and reconstruction was offered by its Minister of Industry and Commerce, the textile engineer Demetrio Carceller, at the beginning of 1945.¹³ Spain would supply some important items as well as the financial facilities required to pay for them. It provided foodstuffs -preserved fish, olive oil, vegetables, citrus fruits and other fruits- for direct relief of the population as well as some basic raw materials for reconstruction programmes -such as pyrites, potash and iron ore. It was to take part within the United Nations Relief

¹². ECE, A Survey, tables 17 and 24, pp. 21 ff. and 37 ff. Although it refers to July 1946 to June 1947, the pattern is applicable to the immediate post-war period.

¹³. Carceller's declarations to Barcelona's newspaper La Vanguardia, as recorded by Jacques Truelle, Delegate in Spain of the French Provisional Government, AD, Z/E vol. 65, Telegram from Madrid, 24 February 1945.

and Rehabilitation Administration (UNRRA), created in November 1943 to supervise plans of short-term relief in war-devastated areas throughout the world once fighting had ceased. Although some textiles were distributed through UNRRA in the first post-war months, Spain as exporter of manufactured goods -textiles, footwear and cork- could not offer a large supply to Western Europe. Cork manufactures and textiles amounted to 6 per cent and 2 per cent of total imports from Spain by France and the United Kingdom, respectively, in 1945.¹⁴ In return, the Spanish Administration expected to escape the pressure of blockade, especially concerning the supply of raw materials still controlled by the navicert system.¹⁵ Difficulties about price and the fear of political repercussions limited the working out of the deal on a large scale.¹⁶

Carceller was sensitive to lessons of the world war years, when Spain had a limited but in certain circumstances a key position in economic warfare. Why could it not be turned in a key position for post-war economic welfare? In 1945 there were few alternatives, since much of continental Europe was in ruins and the traditional pattern of international trade disrupted. Carceller's offer was his last independent course of action in foreign economic policy before his dismissal. It could be interpreted as his personal reaction to the attempts from the Ministry of Foreign Affairs to place international economic relations under the aegis of foreign policy and to be determined by the guidelines agreed on in the Ministry of Foreign Affairs. Carceller might have been perfectly aware that in the post-war world it was safer for Spain to secure its participation in economic reconstruction as a technical affair far away from the political debate.

¹⁴. Direction Generale des Douanes: Tableau Général du Commerce Extérieur. Année 1945. Commerce de la France avec ses colonies et les pays étrangers, Paris, Imprimerie Nationale; Annual Statement of the Trade of the United Kingdom with the Commonwealth Countries and Foreign Countries. Hereinafter trade figures between Spain and both countries will refer to the above-mentioned official statistics, unless otherwise stated.

¹⁵. Navicert derives from a code word: navis + cert(ificate). It was originally a consular certificate granted to a neutral ship testifying that its cargo was correctly described in the manifest and not contraband destined for the enemy. It became one of the chief instruments in the prevention of enemy trade during World War II.

¹⁶. W.N. Medlicott: The Economic Blockade, 2 vols., London [HMSO] 1978, vol. 2, p. 618. The Portuguese government (with the approval of Canadian, British, Soviet and US governments) made a sole contribution to UNRRA in August 1946 of \$1 million for the purchase of fish, wolfram and cod-liver oil to be sent to Italy; George Woodbridge: UNRRA. The History of the United Nations Relief and Rehabilitation Administration, 3 vols., New York [Columbia University Press] 1950, an exhausting guide to UNRRA, pp. 130-31.

Conversely, for the Ministry of Foreign Affairs, if Spain had some economic advantages to offer, these should be used to bargain for the international political acceptance of the regime.¹⁷

Since the Spanish economy was the only source of supply for some goods and saved payments in hard currencies, most Western European countries secured their fair share of supply independently of the political circumstances tied to the question of the Franco regime. The fact that the latter was able to sign these trade agreements at all indicates that the "anti-Franco ardor of many Western European nations was to be gauged more on the verbiage extended in the United Nations than in the actual conduct of their foreign relations"¹⁸ A closer look to the way the United Kingdom and France acted commercially with Spain, will provide the necessary elements to assess Spain's role in Western European economic recovery.

2.2.1. As Exporter of Essential Foodstuffs

Immediate post-war demand for foodstuff imports after almost six years of low levels of consumption was expected to return to pre-war levels. The level of liquidity in the countries that had not suffered from German occupation was high and long pent-up demands existed from the war years. This, together with the pressure for wage increases, where they were blocked during the war, was to result in an increasing private consumption. Those countries that suffered from German occupation, were prompt to relax the tight control and rationing system installed by the Germans. Finally, consumers in neutral countries had strongly suffered from the Allied blockade imposed against Germany. The collapse of Germany's export potential would have negative effects. In general the population of Western Europe was less willing to postpone demands and to accept restraints once the war was over and thus the level of consumption could not easily be held down after years of difficulties. An upward trend in agricultural production in

¹⁷. See chapter one, pp. 28 ff.

¹⁸. De Garmo, Peter Henry: Beyond the Pyrenees; Spain and Europe Since World War II, Doctoral thesis, University of California, 1971, p. 67.

most future OEEC countries was programmed immediately after the war to feed an increasing and more demanding population and to reduce the import bill of foodstuffs, but a transitional period of several crops, with imports as the only source of supply, was necessary. Although imports were to be kept low by rationing, controls and restrictions to avoid a heavy burden on balance of payments, it was not desirable to keep imports of essential foodstuffs at or below war-time levels. This was the case in most Western Europe as a reaction to wartime restrictions.

After the first few months of direct economic relief, the first element of improvement was diet enrichment with the inclusion, among others, of tropical, citrus and dried fruits and nuts. With exports and invisible gains not instantaneously rising to the necessary level, Western Europe could not afford a large increase in imports if they were to be paid for in hard currency. In these circumstances the Spanish economy, a traditional foodstuffs exporter, had few foreign constraints to continue exporting foodstuffs in the immediate post-war period.¹⁹ For the United Kingdom and France, in 1945, foodstuffs amounted to 60 per cent and 57 per cent of total imports from Spain, respectively, with preserved fish, fruits and olive oil as main items. If the population of western Europe, on a daily material basis, was most concerned about food and most governments were forced to provide better livelihood to their people, why should they be deprived of Spanish food supply? Any restriction on consumption rates was to be made on the altars of the higher national interest whilst it seemed difficult to deprive the population of Europe of the Spanish supply on this basis.

Spain's food supplies to France reduced the pressure of the foodstuffs shortage, which had become an obsession in France in the months after Liberation.²⁰ Spanish

¹⁹. In 1945-46, 57 per cent of Spain's total export trade was made out of foodstuffs, Antonio Tena: "Comercio exterior", in Albert Carreras (ed.): Estadísticas Históricas de España. Siglos XIX y XX, Madrid [Fundación Banco Exterior] 1989, pp. 329-61, table 8.5, p. 350. This volume, hereinafter referred to as Estadísticas históricas, is the most complete compilation of Spain's historical economic statistics covering the period after 1880. It is a most useful research tool that will be widely operated in this thesis.

²⁰. A lively account of the "obsession with food supplies" is Jean-Pierre Rioux: The Fourth Republic, 1944-1958, Cambridge/Paris [CUP/Editions de la Maison des Sciences de l'Homme] 1987, pp. 23 ff., originally published in French as La France de la IV République, 2 vols., Paris [Seuil] 1980 and 1983. See also Pierre Gerbet et al.: Le relèvement, 1944-1949, Paris

supplies of fruit had little competition in Europe and were only limited by the recovery of agricultural output in Spain. At the end of 1944 a poll revealed that the French population wanted to see the reappearance of bananas, oranges and lemons, as well as other colonial products, such as chocolate, coffee and tea.²¹ The French Ministry of Health expressed with insistence the interest in the Spanish supply of citrus fruit and bananas for the feeding of its country's population, especially children and sick people.²² On the other side, current transport difficulties had strongly reduced the possibility of traditional imports from North Africa into the metropolitan market. In France, as in the rest of Europe, Spanish foodstuff supplies offered diet variations and enrichment, while reserving hard currency reserves to cope with the bad grain harvest of 1945.

A sharp rise in consumption took place in the United Kingdom in the first two post-war years, particularly in food due to accumulated purchasing power. Wages were kept high during the war and income-earners had ample funds to spend afterwards.²³ The United Kingdom, heavily dependent on food imports, relied on Spain for some of the easements and variations in diet to which the British housewife was looking forward, notably oranges, bananas and tomatoes. In Britain, the Ministry of Food confirmed the importance of Spanish foodstuffs exports to the national welfare.²⁴ The British

[Imprimerie Nationale] 1991, chap. V, "La faiblesse économique", pp. 121-54. The relative importance of the Spanish supply to France comes from the following figures: it represented 10 per cent of total French imports of foodstuffs from continental Europe, it provided 76 per cent of foreign supply of olive oil imported from Europe, it ranked third in French European imports of preserved fish, after Portuguese and British supplies, and, finally, it provided 20 per cent of French imports of fruits from Europe.

²¹. Cited in Rioux, *op. cit.*, footnote 23, chap. 2.

²². AD, Z/E vol. 92: The General Director of Economic Affairs Division at the French Ministry of Foreign Affairs, "Note pour le Ministre", 23 November 1945.

²³. Alec Cairncross: Years of Recovery. British economic policy 1945-51, London [University Paperback ed.] 1987 [Methuen, 1985] pp. 14 ff. and 30-31; and Derek H. Aldcroft: The British Economy. Vol. 1 The Years of Turmoil 1920-1951, Brighton [Wheatsheaf Books] 1986, p. 233.

²⁴. PRO, BOT 11/3068: Minute Sheet of the interdepartmental meeting at the FO on 28 February 1946 to consider how British interests were to be affected if it became necessary to consider certain lines of action in regard to Spain, dated on 1 May. Foreign Office, Treasury, Board of Trade, and the Ministries of Food, Supply and Fuel and Power attended. BOT 11/3067 contains another minute sheet of the meeting. Health considerations also applied in Britain. "Spanish [foodstuffs] supplies (...) could not be foregone without adversely affecting the health of the British people." PRO, FO 371/67897: "British Imports from Spain", n/s, n/d, the note relates to the year ending 31 March 1947.

Government was aiming most at returning to the pre-war situation but at the time the country scarcely imported a quarter of its pre-war volume of fresh fruit. British pre-war consumption of citrus fruit was the highest in Europe and, from October to December, Spain provided the bulk of British winter orange supplies. Spanish tomatoes had traditionally filled the gap between the winter months before British supplies became available. Even though the Spanish prices were generally high, sweet oranges, bananas and tomatoes were considered essential items and could not be replaced by other sources, as all possible supplies were not sufficient to meet the demand.²⁵ Oranges alone -both the eatable and the marmalade (bitter) varieties- accounted for 37 per cent of Spain's total exports to the United Kingdom in 1945 and even after the bad orange crop early in 1946, oranges plus bananas and tomatoes represented 38 per cent of British total imports from Spain in 1946. The only large producers of tropical fruits (bananas) were the American states within the dollar area. Therefore, if the British or anyone else in Western Europe were to eat any, it seemed sensible to obtain all possible non-dollar supplies before importing from the dollar zone. There were various other items, such as dried apricots, raisins, nuts and apricot pulp, in which the inability to import from Spain would cause the British Ministry of Food considerable concern.²⁶ Other commodities included in the British food programme of purchase from Spain had to be sacrificed since they were irreplaceable (notably sherry) or could only be replaced from other sources with varying degrees of difficulty (such as Mediterranean sardines). Though the British did not yet take much canned fish from Spain, they were most interested to keep the market open as a bargaining power to prevent Portugal from becoming a monopoly and raising their prices.²⁷ To find alternative suppliers to Spain's foodstuff exports was probably difficult

²⁵. PRO, BOT 11/3068: Board of Trade to Overseas General Division, Ministry of Information, 7 March 1946. Those Western European countries that before the war were large sources of supply showed records of agricultural output in the crop year of 1945/46 appreciably below pre-war levels. ECE, A Survey, table 8, p. 11.

²⁶. See explanations relating to the year ending 31 March 1947 in PRO, BOT 11/3068: "British Imports from Spain", Annex to Intel no. 27 from Ernest Bevin, British Secretary of State for Foreign Affairs, to Douglas F. Howard, British Chargé d'Affaires in Madrid, "Economic Relations with Spain", 21 January 1947 (henceforth referred to as Intel no. 27). This document compressed the economic arguments presented by the different departments involved in economic relations with Spain, since their first meeting in December 1945.

²⁷. PRO, BOT 11/3067: "Minutes of a Meeting held at the FO on the 28th February (1946) to consider the possible consequences of a rupture of relations with Spain".

at the time owing to the dollar situation and the long distances involved in shipments from other countries. Moreover the situation of food supply was not such as to forego any possible source, even more if offered products in strong scarcity and with little financial effort in terms of hard currency.²⁸

The Spanish economy (and consequently the Franco regime in political terms) benefitted from the circumstances of world food shortage, the liberation of purchasing power kept low during the war years, strong aspirations for improved standards of living, and world-wide dollar scarcity. The most favourable agricultural plans for restoration of pre-war levels of output implied a delay of at least five years from the end of hostilities. Even a full restoration of pre-war output still meant a 6-8 per cent reduction in output per head compared with 1934-1938, owing to the increase in population.²⁹ It implied that Western Europe had to support an important burden on its balance of payments with the dollar area. The gap was very difficult to reduce. European overseas imports of foodstuffs consisted partly of products not produced at all in Europe (i.e., coffee and tea), of products in which European indigenous production could not be easily expanded (i.e., grain), and finally of foodstuffs in which only a minimal contribution could be expected of European production. Opportunities for contraction in imports of these foodstuffs and some industrial materials -such as petroleum, cotton and wool- were to be extremely limited without a harmful reduction in consumption and production in Western Europe. In these circumstances, Spain's exports constituted a non-dollar supply of foodstuffs, and although high priced, were presented as dollar-savings and a contribution to solving the balance-of-payments deficits while also contributing to an enrichment of the diet. This was the real position of Spain as an exporter of foodstuffs in a world that had declared the Franco regime as the last refuge of fascism.

²⁸. The reader should bear in mind that by mid-December 1945 there still were Parliamentary questions like the following one: "Whether it was possible to raise the rations of agricultural workers and coal miners to the ration level of the British soldier which has more than twice the caloric-value of the civilian ration", Parliamentary Debates, House of Commons, vol. 417 (henceforth, 417 HC DEB) London, HMSO, 1946, written answers of 19 December 1945, p. 1499.

²⁹. ECE, A Survey, p. 20.

2.2.2. As Exporter of Strategic Raw Materials

Industrial recovery in Western Europe was based on two initially interconnected elements: overcoming the shortage of basic materials handicapping European industry and freeing maximum hard currency for the purchase of essentials. In the first aspect, the experience of the war and the post-war reconstruction gave way to a race for resources and a "global struggle" for minerals and fuels.³⁰ It appears, therefore, that Spain was an important source of raw materials, especially critical minerals at the time, constituting its second main export category, amounting to 20 per cent of total exports in 1945-1946.³¹ Pyrites, potash, tungsten, rosin, iron ore and cork, were important items of bilateral trade.

The attempt to free purchases made in hard currency, together with the war experience, involved a strong increase in agricultural production throughout Western Europe. In the previous section, the Spanish economy was presented as a supplier of foodstuffs to European relief. This section will deal with it as provider of those raw materials that constituted bottlenecks to the recovery of agricultural production, here considered as strategic. The recovery of European agricultural production to at least pre-war levels was a precondition to reduce overseas food imports. An increase in agricultural production was not to be attained as quickly as in industrial production. The estimates of the ECE for 23 European countries accounting for 90 per cent of the total net value of agricultural production of Europe before the war, showed that in the crop year 1945/46 output was only 63 per cent of the pre-war level, whilst the 1938 level of industrial output was restored by the last quarter of 1946.³² In Britain, agricultural production received special attention in the later stages of war owing to increasing anxiety as to the viability of overseas supplies and the ability to finance imports in the transitional period. In France, where reconstruction was translated into some form of long-term plan, agricultural production was considered as an important element. Among the basic economic sectors

³⁰. Taken from Alfred E. Eckes, Jr.: The United States and the Global Struggle for Minerals, Austin and London [University of Texas Press] 1979.

³¹. Tena, op. cit., p. 350. Percentages of raw materials in total French and British import bills from Spain were 30 and 27 per cent, respectively, in 1945.

³². ECE, A Survey, table 8, p. 11.

of the Plan de Modernisation et de l'équipement de la France, the so-called Monnet Plan, drafted in April 1946 but initiated in the autumn of 1945, were agricultural machinery and chemical fertilisers. An increase in agricultural output was seen as necessary not only to feed the population of metropolitan France and its North African territories but also to ease the country's trade balance to accomplish the modernisation of its economy. The Monnet Plan was to provide the French economy with a spring-board to substantially increase productivity in the interests of French economic competition in the open international economy. Eliminating or at least strongly reducing imports of agricultural commodities was necessary to free foreign currency resources to be devoted to the purchase of necessary raw materials for industry. As a member of the Plan Commissariat put it: "La réalisation rapide de notre plan industriel commande, plus encore que les importations, celle de plan agricole."³³ In sum, food production was an essential element of British and French reconstruction policies, as well as in the rest of Western Europe.

Fertiliser programmes were drawn in most Western European countries as an integral part of a strategy to increase productivity in agriculture. It was necessitated by labour shortages, the need to divert manpower from agriculture to industry, the cumulative effect of insufficient capital investment and use of fertilisers with the consequent impoverishment of the soil, and, finally, the deterioration of agricultural equipment and loss of livestock. The latter element had reduced the organic materials used to fertilise land, imposing a larger dependency upon inorganic or chemical fertilisers, mainly nitrogen, phosphorus and potassium. In 1945/46 world production of nitrogen was still 69 per cent of that of 1938/39, whereas Western Europe only reached 55 per cent.³⁴ Regarding phosphorus fertilisers -calcium phosphate from phosphate rock and superphosphate obtained by treatment of calcium phosphate with sulphuric acid- the situation was critical from 1944 to the end of 1946. French North African production of phosphate was well below pre-war levels. The United Kingdom, owing to a shortage of labour and the decline of Belgium's exports, was sending phosphate rock to Spain for

³³. AN, 80AJ/15: R. Dumont, "Les Conditions de Réalisation du Plan Agricole rédigé pour la réunion du 7 Juin 1956 de la Commission de Modernisation de la Production végétale. Annexe 2 du procès-verbal de la réunion." For references on the Monnet Plan see the following chapter.

³⁴. UN, Statistical Yearbook 1948 (SY 1948), New York, 1949, p. 216.

processing there into superphosphates.³⁵ The supplies coming forward under this arrangement contributed to about 5 per cent of British supplies for the season 1945/46. Even with this contribution the Ministry of Agriculture's target programme for superphosphates was about 10 percent short.³⁶ With the production of nitrogen, to be used as nitrates or ammonium salts, reduced and with limited supplies of phosphorus fertilisers, other chemical compounds for the fertiliser campaigns reached a greater importance, such as potash and pyrites.

Spain constituted the cheapest source for potash, and produced approximately 5 per cent of the world's potash output in 1944/45.³⁷ Spain provided approximately two-thirds of total British requirements in 1945/46 and it was maintained to 50 per cent for the following year.³⁸ No other source of supply appeared possible since French and German production was still far below pre-war levels, and the total output from Palestine had already been imported. Dollar considerations overrode the only other source of supply, the United States, which had doubled potash output between 1940 and 1945. Even after securing Spanish supplies the British Ministry of Agriculture's target programme for the season envisaged a short fall of 33 per cent.³⁹

Another important component of the fertiliser programmes was pyrite, as source of sulphur in the manufacture of sulphuric acid. Only after the extraction of sulphur were

³⁵. PRO, BT 11/3068: "Raw Materials from Spain", note by the Raw Materials Department, 2 March 1946. Superphosphate used as fertiliser is a compound produced by treating rock phosphate with either sulfuric or phosphoric acids, or a mixture of the two. As soon as Belgium was in a position to export superphosphates at the end of 1946, the British switched to this pre-war source.

³⁶. Ibid.

³⁷. UN, SY 1948, p, 167. The data refers to K₂O content or equivalent of various potash salts mined. Not including USSR and other some minor producing countries. Information on Soviet production of raw materials is inadequate in the economic surveys of the international organisations. It is, therefore, systematically excluded from the calculations made in this chapter. It does not significantly impair the comparability of the series since net Soviet foreign trade in raw materials was small in relation to total world supplies.

³⁸. PRO, BOT 11/3068: BT to FO, "Estimate of Alternative Sources of Supply for UK Raw Materials Needs from Spain", 19 November 1946. It considers the year ending 30th June 1946, and the following fertiliser season for the 1946/47 harvest.

³⁹. Ibid., "Raw Material Supplies from Spain", cit.

the so-called 'spent pyrites' used as low-grade iron ore. Because of the availability of better sources of iron, pyrites were not generally used as an iron ore for the iron and steel industry. Sulphur appeared to be the most important case in which the failure of production to keep pace with consumption requirements had serious consequences. The sulphuric acid extracted from the sulphur had widely varying uses and played some part in the production of nearly all manufactured goods. A major use of sulphuric acid was in the production of fertilisers. In 1944-1945 Spain produced roughly 13 per cent of the world production of pyrites. Discounting extra-European supplies for either financial or transport considerations, Spain represented 40 per cent of the pyrite production of Europe, a vital ingredient of Western European fertiliser programmes.⁴⁰

The United Kingdom was dependent on Spain for about 90 per cent of its total pyrite supplies for 1945/46 with no other sizeable source of supply. For the year ending 30 June 1947 Spain provided 100 per cent of British imports of pyrites. To obtain any current supply from Norway, Sweden and Cyprus, other European suppliers of pyrites, appeared to require great effort, unnecessary if Spanish supplies were available. A possible alternative was American sulphur but it involved a basic alteration of production plants. It was calculated to take six to twelve months to adapt production lines -to be at Government cost- so that production of sulphuric acid, sulphate of ammonia and superphosphates in the United Kingdom would inevitably be curtailed.⁴¹ Apart from that, dollar considerations made it undesirable to buy from the American market.

As far as France was concerned, a very limited amount of supply of pyrites from Portugal and Canada could be found in the international market by the end of 1944. France had obtained 100,000 tons from each when the monthly requirement of the French

⁴⁰. The percentage refers to output of iron and cupreous pyrites plus pyrite concentrates obtained as a by-product from copper, lead and zinc ore operations, whilst it refers only to iron pyrites for Spain. Not including USSR and a few minor producers. Own elaboration from UN, SY 1948, pp. 164-65.

⁴¹. PRO, BOT 11/3068: "Raw Material Supplies from Spain", cit., and BT to FO, "Estimate of Alternative Sources of Supply for UK Raw Materials Needs from Spain", 19 November 1946.

industry was 40,000 tons.⁴² The situation did not change in the following two seasons, there remaining a large shortage in the supply of fertilisers. The Modernisation Commission for Agricultural Production of the Plan Commissariat described the lack of fertilisers as an essential constraint on reaching the output targets for agriculture which the Plan had set. The Plan de Modernisation de la Production Végétale presented in June 1946 to the Plan Council required doubling the use of chemical fertilisers in five years.⁴³ Before the war, Western Europe accounted for about 50 per cent of the total world consumption of fertilisers and in the post-war period it had even greater requirements. Post-war trade in chemicals and fertilisers was strongly distorted compared with the pre-war pattern (1937). In pre-war purchasing power imports from the United States in 1947 were 260 per cent the value reached in 1937, while intra-European trade (excluding the USSR) was only 55 per cent.⁴⁴ With world fertiliser supplies substantially below the level needed to meet projected future food programmes, Spanish supplies were a key supply at this juncture.

The fertiliser bottleneck for an increase in agricultural production was a common feature in Western Europe during the period 1945-47:

"The diminution of supplies which would result from any rupture of trade relations with Spain would be little short of disastrous at this juncture, when every nerve is being strained to increase fertiliser production in the interest of the food supply."⁴⁵

"Les produits espagnols, surtout les blendes et les pyrites sont indispensables à notre économie dont la reprise peut difficilement être assurée sans cet apport."⁴⁶

"The serious character of the food situation in Europe speaks for itself [...] It can be safely asserted that an increase in food production in Europe is one of the most vital

⁴². AD, 2/E vol. 92, Director des Affaires économiques, "Note pour le Ministre. Négociations commerciales avec l'Espagne", Paris, 8 February 1945.

⁴³. AN, Commissariat général du Plan de Modernisation et de l'équipement, 80AJ/15: "Résumé du Plan de Modernisation de la Production Végétale". The targets to reach in 1950 for the three main chemical fertiliser compounds were the following: 450,000 tons of nitrogen, 800,000 tons of phosphorus and another 800,000 tons of potassium fertilisers.

⁴⁴. ECE, A Survey, table 26, p. 47.

⁴⁵. PRO, BOT 11/3068: Intel no. 27.

⁴⁶. AD, 2/E vol. 92: Head of the Economic Affairs Division at the Quai d'Orsay, "Note pour le Ministre. Négociations commerciales avec l'Espagne", 8 February 1945.

contributions that can be made to the recovery of European economy."⁴⁷

Spain was an important European source for other raw materials. A rapid expansion of world industrial production required adequate raw material inputs. In 1946 the rate at which metals and metallic ores were being fed into the production process lagged substantially behind the rate at which finished products were leaving the engineering industries.⁴⁸ The most important ore that Spain actually exported to Western Europe was iron ore, completely tied to one industry; iron and steel, whilst the main bottleneck to an expansion of European industry was steel outputs. In this trend, the shortage in scrap and crude steel imposed a larger dependence upon coke and iron ore, the latter being smelted in blast furnaces to produce pig iron. World pig iron, which owing to wartime destruction had plunged by 25 per cent between 1939 and 1945, initiated a long recovery period so that by 1950 it was one-third greater than the 1939 level (with almost half still being produced in the United States). Although Spain produced approximately 1 per cent of world output of iron ore in 1945, it was the fourth largest European producer, after the United Kingdom, France and Sweden.⁴⁹ Even more important was that Spanish iron ore was of high grade, that is of low phosphoric content which saved on fuel in its processing and implying, thus, lesser complementary import costs as savings in coking coal and scrap. After March 1946 shipments from Northern Spain to the United Kingdom restarted and the British Supply authorities foresaw supplies at a rate of 1.5/1.7 million tons a year.⁵⁰ For the year ending 31st March 1947 about 20 per cent of British iron ore supplies (7 million) were drawn from Spain and Spanish Morocco.

The attempt to enlarge the range of ores suppliers of low phosphoric content to

⁴⁷. UN, Economic and Social Council, E/ECE/54, 20 September 1947: ECE, Fertilisers Sub-Committee, Opening Statement by the Executive Secretary, 22 September 1947.

⁴⁸. UN, Department of Economic Affairs: Economic Survey of Europe 1950, Research and Planning Division of the ECE, Geneva, 1951, p. 5.

⁴⁹. UN, SY 1948, p. 139. Data referring to iron content of ores mines, excluding pyrites. Not including USSR and a few minor producing countries.

⁵⁰. PRO, BOT 11/3068: Ministry of Supply to Private Secretary of the Secretary of State for Foreign Affairs, 21 November 1946.

France and Sweden was not very successful. On the one hand, British officials were at the time running into considerable difficulties with France over the price of North African ores, most particularly from Algeria. On the other hand, only a limited quantity of ore of a comparable grade to Spanish Moroccan ore could be obtained from Sweden. Larger amounts had to be made up of Swedish ore of lower grade demanding more fuel and coal for its metallurgical processing. On currency grounds this supply constituted an undesirable alternative; since Sweden was not happy to hold sterling thus an increase in purchases of iron ore was believed to imply a cut of supply of timber and pulp. The only alternative to replace Spanish ore implied thus an increase in the use of low grade British ore that would adversely affect not only the import bill via an increase in coal import requirements but also the British ability to produce and export steel.⁵¹ The British authorities believed that a cut in Spanish iron ore supplies would have implied that housing -to which the Labour Government was strongly committed- and many industrial sectors such as engineering, motors, textiles, machinery, would have been seriously affected.⁵²

According to this, Spain's supplies to Western European countries were a good example of how the Spanish Administration appeared to benefit from the difficulties in conducting trade between Western European soft-currency countries. The strong lack of cash to maintain trade deficits and the necessity to import essential goods moved the

⁵¹. In May 1947 a member of the Foreign Office explained carefully to the Belgian Chargé d'Affaires the consequences of economic sanctions against Spain using exactly the above-mentioned arguments. The United Kingdom would then probably be compelled to seek steel from Belgium and to request a larger allocation of coal from the European Coal Organisation (ECO) with a correspondingly diminished amount of coal to other coal consuming countries. It was reported that the Belgian Chargé was convinced and stopped a careless promotion of economic sanctions, *FRUS*, 1947, vol. III, "The Ambassador in the United Kingdom (Douglas) to the Secretary of State", London, 10 May 1947, pp. 1077-78. The ECO was organised in London in May 1945 to recommend to its member governments the equitable allocation of coal surpluses. It lasted until January 1948 when its functions were transferred to the Coal Committee of the ECE in Geneva; more details in Nathaniel Samuels: "The European Coal Organization", *Foreign Affairs*, July 1948, pp. 728-36.

⁵². PRO, BOT 11/3068: Intel no. 27. Chapter 8 of Carl Glatt-Hackney, "Industrial Reconstruction, Reparations, Science and Industrial Technology: The United Kingdom and Its Zone of Occupation in Germany (1944-1952)", Doctoral thesis, EUI Florence (forthcoming), measures the commitment of the British Labour Government to housing with the result that it was priority number one in its investments plans. That economic retaliation against Spain could have created obstacles to house-building could have played an important role in determining British attitude.

European countries towards a strict bilateral balancing of trade accounts with each other. The disadvantages of this system were obvious to everyone.⁵³ Faced with import barriers and price competition overseas, European countries forced through combined sales established in the bilateral trade agreements to place non-essential goods in other European markets, affecting negatively the supply of essentials. An exporting country agreed to supply essentials only if the purchaser agreed to issue licenses for a satisfactory volume of non-essential goods. In other words, intra-European trade was not free to buy or not to buy on the basis of relative qualities and prices. The mutual credit facilities or swings of trade that dominated the intra-European post-world war system of trade and payments were not a very satisfactory means of financing trade, although certainly they eliminated the necessity for a daily balancing of accounts, and thus permitted the building up of creditor and debtor positions over a period of time. Spain's supplies, therefore, gave the possibility to their buyers of increasing their bargaining power vis-à-vis other soft European suppliers to obtain a larger share of essentials. Also, Spain's contribution to the recovery in production contributed to the capacity of Western European countries to balance their bilateral trade accounts. For instance, British steel production, to which Spain contributed by providing large quantities of high-quality iron ore, permitted Britain to balance with Sweden and Switzerland, whose credit arrangements required gold or dollar settlement. Furthermore, Spain seemed to spend sterling earnings very readily in purchasing goods from the Sterling Area and, always in consultation with the British Authorities, in non-sterling area countries short of sterling.⁵⁴

Spain was also an important producer of mercury, zinc and tin concentrates, and lead and manganese ores, and had exportable surpluses of salt and fluor-spar. It was the

⁵³. "Essential goods fail to go where they could make the greatest contribution toward recovery of production, while trade in non-essentials is unduly encouraged in some instances as a means of achieving bilateral balance." UN, A Survey, p. xv.

⁵⁴. The monetary agreements between the United Kingdom and Spain did not allow Spanish residents of the Spanish monetary area to transfer and pay to residents outside the sterling area without previous authorisation by the Bank of England. The right to spend part of their sterling earnings outside the sterling area was always a main goal of the Spanish commercial authorities, which was systematically rejected by the British commercial authorities who did not give up their main trade bargaining counter. The main case where this authorisation was asked for (and normally granted) was for the purchase of cotton from Brazil.

world's principal source of mercury, producing 28 per cent of world production in 1944/45; it produced 50 per cent of lead ore, 42 per cent of manganese ore and 28 per cent of Europe's tin concentrates, and 33 per cent of the Western European zinc output.⁵⁵ Other important items in Spain's foreign trade were rosin and cork. It was, among the Southern European producers of these same raw materials, the only one to maintain and even increase its mining activity. The Portuguese economy, an important producer to which Western European could have diverted its requests if Spain was to be expelled from international markets, suffered in 1946 the most spectacular drop in output of the group of countries considered -Turkey, Spain, Portugal and Southern Italy.⁵⁶

Post-world war demand for raw materials, especially non-ferrous minerals for this specific case-study, was high for several reasons. First, stocks were low relative to the high levels of demand for restoration of war damage and the expansion of industrial activity. Second, basic production was making an extremely slow recovery. In addition to civilian demands, there was also demand for strategic stockpiling purposes, particularly important for the United States where there were permanent stockpile programmes. By the end of 1945, the United States' domestic natural reserves could offer short-run (two years) supply of manganese and (four years) of tungsten. Other important items with less than a thirty-five-year supply that Spain could offer included lead, tin, zinc.⁵⁷ Spain was not to be an exception to "access on equal terms to the trade and raw materials of the world" called for by the Atlantic Charter of 1941.⁵⁸ To the extent that European countries expanded manufacturing production, increased imports of raw or processed non-ferrous metals and chemicals were necessary, especially to support heavy industries. It

⁵⁵. UN, SY 1948, pp. 153 and 136-46.

⁵⁶. UN, Economic Survey of Europe in 1953. Study of Economic Development in Southern Europe, Geneva, 1954, p. 165. For an overview of Spain's place in general terms for the above-mentioned commodities see Economic Cooperation Administration, Special Mission to the United Kingdom: The Sterling Area. An American Analysis, London, 1951, p. 553; UN, Monthly Bulletin of Statistics, vol. 27, no. 11, November 1946, pp. 491-93; and PRO, BOT 11/3068: BT to FO, "Estimate of Alternative Sources of Supply for UK Raw Materials Needs from Spain", 19 November 1946.

⁵⁷. Harold Ickes [US Interior Secretary] "The War and Our Vanishing Resources", American Magazine, 140, December 1945, pp. 20-22, p. 22, as cited in A. Eckes, op. cit., p. 124. For an analysis of the post-war US stockpiling programme, see the latter, chapter 5, pp. 121-45.

⁵⁸. Raw Materials and Foreign Policy, International Economic Studies Institute, Washington, 1976, pp. 27-28.

appeared, therefore, as in the case of foodstuffs, that any net savings in imports was most unlikely and that, conversely, Europe's minimum requirements of imports of raw materials were to expand in consequence.

Western European post-war demand had also favoured a trauma-free reconversion of Spain's pattern of trade between 1944 and 1945. This was so despite the decrease of £12 million in earnings of foreign currency, due mainly to the elimination of wolfram exports.⁵⁹ The Spanish commercial authorities considered obvious that wolfram exports had to cease once the hostilities were over, which provoked an immediate drop in earnings of £16 million. Their main concern were traditional exports, which, in turn, gave a satisfactory result. Without considering wolfram, Spanish exports were able to earn in 1945 a little more than £4 million over their level in 1944 (partly due to price increase). Main export commodities were oranges, wine, iron ore, olives and olive oil, almonds, cork, hazelnuts, potash, and mercury, which in 1945 earned 58 per cent of total foreign currency earnings. The decrease of some traditional export commodities, in particular Sherry wine, was expected to be only temporary. Any artificial promotion of exports was excluded by the Minister of Industry and Commerce. He had argued that "the danger of a subsidy policy [is] that once the door opens, it is very difficult to limit the sectors of application."⁶⁰ Although a system of premiums was studied after November 1945 for several products, it was announced at the end of May 1946 only with the idea of compensating Portuguese lower prices (the Iberian Peninsula had almost a world monopoly of cork production); wines, brandy and textiles would follow later on.⁶¹

The path from war to peace economy also meant that "war material" (which in 1944 accounted for 18 per cent of the total purchases in foreign currency) disappeared from the import list. Raw cotton and textile-fibers, machinery, aircraft and its parts, electrical material, chemicals, and tobacco were the main import commodities.⁶² The low

⁵⁹. AHBE, IEME, box no. 7: IEME Memoria de 1945, dated 28 March 1946.

⁶⁰. AHBE, IEME, box no. 2: A/C, 21 November 1945.

⁶¹. Ibid., A/C, 21 November 1945, 28 May and 24 July 1946.

⁶². It refers exclusively to commodities paid off in foreign currency. Import of wheat from Argentina, for instance, took place on credit basis involving no foreign currency expenditure.

import levels were considered also transitional due to the relief demand in Western Europe, the disappearance of Germany, and the closing of many markets after the war. It was also due to the effort made in 1945 to pay off arrears, some previous financial credits and commercial debts, and to increase gold reserves. The intention behind this financial move was twofold: to present the Spanish economy as a good commercial dealer, ready to benefit from an open economy, and to eliminate future obstacles in trade negotiations.⁶³ A further reduction of imports was, however, imposed by the policy of cashing bonds in foreign hands. All these non-commercial operations involved a heavy drain of resources, accounting for 34 per cent of the foreign currency expenditure in 1945.⁶⁴ The IEME authorities considered this period as transitional to a future expansion of trade following the recovery of Europe. An efficient use of economic resources (once debts had been paid) and the network of bilateral agreements negotiated or being negotiated in the second half of 1945 would open prosperous perspectives for the future.⁶⁵

2.3. Exigencies of French and British Economic Reconstructions

Spain's supply served to reduce the dollar drain. Its trading partners took as full advantage as possible from its raw material reserves, crucial at the time of world scarcity of supply and means of payment. While all over the world economic life had been disrupted by the war or by war-time production, and with only the countries in the Western hemisphere, especially the United States and the dollar area, as large suppliers, any non-dollar supply was to be highly valued. Spain appeared as a scarce but still valid source of supply to be used fully before importing from the dollar area or from countries

⁶³. Memoria de 1945, cit., p. 18.

⁶⁴. The purchase of State bonds in foreign hands and the nationalisation of the National Telephone Company from the American ITT involved £11,003,442 out of a total exchange expenditure of £68.645.045 in 1945, AHBE, IEME, box no. 7: IEME's annual report for 1945, dated 28 March 1946. See the following chapter pp. 186-87, for a detailed account.

⁶⁵. Negotiation of trade agreements in the second half of 1945 took place with Switzerland, France, Italy, Portugal, Denmark, Sweden, Belgium, the Netherlands, and Argentina. This prosperous vision reflected in IEME's annual report for 1945, cit.

more awkward on currency grounds. It was in the European interest that Spain continued to give its contribution to the economic recovery of Western Europe. This was the fundamental reason for avoiding economic sanctions or a blockade against Spain, the apparently most logical consequence of the political dislike towards the Franco regime. The possible economic contribution of Spain to European recovery was to be channelled, as all other available resources, into productive work in order to achieve fully effective national economies. It would have been very wasteful if, in the circumstances of 1944-1946, the resources of Spain were not to be available:

"At a time of world shortage of foodstuffs and when various countries need her raw materials for the revival of their industries, to seek to deny these goods to those who need them may be open to some criticism."⁶⁶

Despite the fact that the Spanish economy was making its contribution to European recovery, there were many problems of a political nature in not applying a strict approach, from an economic or technical perspective, to the problem of relations with the Franco regime. The alternatives to adopting sanctions against Spain were, in an ascending order of severity, the recall of ambassadors and the breaking off diplomatic relations, as demanded by several Governments at the United Nations, and economic sanctions. How and why did the French Provisional Government of the IV Republic and the British Labour Government adopt different courses of action and to what extent were they so different?

2.3.1. The French Provisional Government of the IV Republic

It is well known that active sectors of French public opinion and across the political spectrum wanted a rupture of diplomatic relations with Spain.⁶⁷ The Foreign

⁶⁶. PRO, BOT 11/3068: Minute Sheet of the interdepartmental meeting at the FO on the 28th February 1946. It was part of the general British policy: "His Majesty's Government regard the economic reconstruction of the world as a primary object of their foreign policy." Bevin's first address as Secretary of State to the House of Commons, 20 August 1945, 413 HC DEB, p. 287.

⁶⁷. George Bidault's memoirs are a useful and partial source of information, D'une Résistance à l'autre, Paris [Les Presses du siècle] 1965, translated as Resistance: the Political Autobiography of George Bidault, London [Weidenfeld & Nicolson] 1967. Other direct accounts in the memoirs of Bidault's Secretary-General for the four years after January 1945, Jean

Affairs Commission of the Provisional Consultative/Constituent Assembly proposed on different occasions to invite the Allies to ask Franco to resign or, if necessary, an individual rupture of diplomatic relations.⁶⁸ The Government of National Unity, formed in September 1944 and presided over by General de Gaulle, resisted public and parliamentary pressure to break relations with Franco Spain. The problems posed by the imminent victory over Germany, the restoration of order and authority, the foundations of a new Republic, and economic reconstruction, were of a sort that made the Provisional French Government reluctant to create further upheaval. Moreover, formal diplomatic relations were *de facto* broken. The Spanish Government broke diplomatic relations with the Vichy regime on 24 August 1944 when its Ambassador to Vichy, Lequerica, was appointed Minister of Foreign Affairs. Madrid did not appoint a new Ambassador although they recognised Jacques Truelle as the official delegate of France. The French Provisional Government had not appointed an Ambassador to Madrid and could perfectly do without one in the future if public opinion pressed in that direction. On the other hand, the Presidency and the French Ministry of Foreign Affairs were not ready to do without the simple delegate, whose activities were essential to keep the flow of the Spanish supply.

Attempts not to worsen the already delicate political situation with the Southern neighbour and to reach some trade agreement had been undertaken since Autumn 1944. Bilateral trade negotiations preceded the official recognition of the Provisional Government of the French Republic by the Spanish Government, which did not take place until mid-November. This suggests that a commercial agreement with Spain was desperately needed by the French economy and that, to proceed speedily, a normalisation of political and diplomatic relations with Spain was necessary. The French delegate in Spain, Truelle, was the strongest supporter of the line of action by which some political

Chauvel: Commentaire. D'Alger à Berne (1944-1952), Paris [Fayard] 1972, pp. 170-72; and in the memoirs of the Socialist leader who brought about the coalition of the Left in the Popular Front in 1936 and was Premier for a little more than a month in 1946-47, Léon Blum: L'oeuvre de Léon Blum, 1945-1947, Paris [Editions Albin Michel] 1958, pp. 184-85.

⁶⁸. Archives de l'Assemblée nationale, Procès-Verbaux de la Commission des Affaires étrangères de l'Assemblée consultative/constituante, meetings of 25 May, 4 August, 5, 19 and 26 December 1945 and 27 February, and Débats parlementaires, Annales de l'Assemblée nationale constituante, vol. II, pp. 82-83, 107, and 452 for the minutes of 17 January and 22 February 1946.

signs were to be made to Spain to obtain full economic advantage:

"Telle est l'importance des négociations, actuellement engagées (...) pour l'envoi de vivres et de matières premières en France et le financement de ces opérations, il est essentiel [d']éviter des troubles à la frontière."."

There were serious incidents in the South of France where the largest concentration of exiled Spanish was placed, some of whom had played an active part in the resistance movement.⁷⁰ Following the beginning of France's liberation in August 1944, the Spanish refugees expected the liberation of their homeland. They started by occupying, with the help of county authorities, the Spanish diplomatic legations in the Pyrenees.

While some public pressure tended favour the cessation of relations, the Spanish Administration provided a first credit of Ptas 200 million in September of 1944. It allowed France to obtain 50,000 tons of blende (sulphide of zinc occurring as nature crystalline mineral) and 20,000 tons of pyrites, apart from other products such as cork, preserved food and citrus fruit. France offered North African phosphates and electric energy in exchange.⁷¹ How could France afford to forego this small but effective contribution to the relief of its population and industrial recovery, and which moreover brought no pressure on balance of payments and on dollar reserves?

"Dans l'immédiat, [Spain] est à même de nous fournir un certain nombre de produits de première nécessité tels que pyrites, blendes, mercure, oranges, fruits secs, tissus de laine, tissus de coton (et si les fournitures de matières premières sont suffisantes) conserves diverses, etc."⁷²

"On peut considérer que les avantages d'ordre économique et commercial que nous pouvons retirer d'une normalisation de nos

⁶⁹. AD, Z/E vol. 3: Truelle to Bidault, 22 September 1944.

⁷⁰. Andrew Cowan, in an excellent article about the guerilla and its connections with the origins of the Cold War, "The Guerrilla War Against Franco", European History Quarterly, vol. 20, 1990, pp. 227-53, puts the figure of Spaniards within the French Forces of the Interior at 25,000, pp. 229-30.

⁷¹. AD, Z/E vol. 92: Chief of the Direction des Affaires économiques, "Note pour le Ministre. Négociations commerciales avec l'Espagne", 8 February 1945; and, Z/E vol. 48: Direction Politique, "Note", dated Paris, 1 June 1945.

⁷². Ibid., "Note du Conseiller Commercial résumant la situation économique de l'Espagne", Truelle to Bidault, 3 November 1944, annex.

relations avec l'Espagne suffisent à justifier celle-ci."⁷³

The French Minister of Foreign Affairs, George Bidault, conscious of the anxiety of the French Delegate in Madrid and even more of the economic situation of the country, preferred to calm popular pressure in the Pyrenees.⁷⁴ Bidault addressed a demand to his colleague Minister of Interior to quickly end the problem of the Spanish legations in the South. The frequent repetition of outbreaks of violence made even more difficult the already uncomfortable position of France regarding Spain, and "empêche la reprise des négociations économiques entre les deux pays, négociations auxquelles j'attache le plus [grand] intérêt."⁷⁵ The result of this course of action was that by April 1945 the credit offered by the Spanish Government to France was increased to Ptas 500 million.⁷⁶ These credit facilities offered the opportunity for French hard currency reserves to be devoted to the purchase of necessary raw materials for industrial and agricultural production. Therefore, instead of following the recommendations produced in the parliamentary commissions, the Government instead speeded up the attainment of a bilateral trade

⁷³. Ibid, Truelle to Bidault, "Négociations avec le Gouvernement espagnol", 28 March 1945.

⁷⁴. Bidault's line to provide some satisfaction to the Spanish requests of a political nature, ought to have required his President's approval. General de Gaulle was aware of the economic advantages of keeping relations with Spain: "Vous savez que l'Espagne, aujourd'hui, a des relations économiques avec un grand nombre d'Etats du monde [explained de Gaulle], ce qui est d'ailleurs très naturel, car les moyens économiques de l'Espagne font partie de l'économie du monde. Les pyrites n'ont pas de parti." Discours et Messages vol. I, op. cit., Press Conference of 12 October 1945, cit. in footnote no. 1 of this Chapter. In 1947 he became head of the new party Rassemblement du Peuple Français until its dissolution in 1953. He only turned to politics in 1958. Spain was never one of his main concerns.

⁷⁵. AD, Z/E vol. 3: Bidault's Despatch no. 149, "Sécurité des Consulats d'Espagne en France", 9 March 1945. This was neither the first nor the last request that Bidault sent to the Ministry of Interior to put an end to the problem, i.e. "Consulats espagnols en France" and Despatch no 196, both Ministry of Foreign Affairs to Ministry of the Interior, 18 October 1944 and 28 March 1945, respectively. Spanish consulates were assaulted from August 1944 to March 1945 in different places in the South of France: Perpignan, Toulouse, Bordeaux, Marseille, and Pau. Bidault's policy was not independent from the general effort to restore order in France after the period of open political tension following the Liberation; Rioux, op. cit., chap. 4.

⁷⁶. AD, Z/E vol. 92: Truelle's Telegram from Madrid, 7 April 1945. Using the rate of exchange adopted since November 1943 of Ptas 45 = £1, if pesetas are being converted to pounds, the Spanish credit was of £11.1 million. In March 1945 the British offered France £100 million (shortly to be stepped up to £150 million) as credit to cover the trade deficit, although, contrary to the Spanish credit, repayment was due in gold before the end of April 1946, Robert Frank, "France - Grande-Bretagne: la mésentente commerciale (1945-1958)", Relations internationales, no. 55, Autumn 1988, pp. 323-39, p. 333.

agreement.⁷⁷

The French received the help of the Spaniards who, fully aware of the situation, avoided major political problems while discussing the trade agreement.⁷⁸ A Franco-Spanish trade agreement, the so-called Saint Sebastian Agreement, was signed on the 15 September 1945, only four months after the end of the war and after two months of intense negotiation. This commercial agreement was quite beneficial for the French economy. It provided France with 400,000 tons of pyrites for the production of superphosphates and sulphuric acid required by agriculture, 50,000 tons of foodstuffs, especially fish and fruit, and finally the supply of textiles for a value of Ptas 63 million. The total value of Spanish exports to France was estimated at Ptas 552 million while France's exports to Spain were expected to reach Ptas 210 million including 200,000 tons of North African phosphates, 70,000 tons of scrap, and 3 million Kwh electric power per month (after the restoration of the electrical connection between both countries). To cover the trade gap the Spanish negotiators offered a credit of Ptas 200 million (to be increased up to 240 million) to be payable in 36 months.⁷⁹ This was the result of a policy-option that tried, as we shall see for the United Kingdom, to follow a foreign policy closer to the real needs of peace time than to ideological considerations.

The nature of French post-war politics left little room for further realism regarding Spain. In few cases, in this thesis, were domestic politics diametrically so opposed to selected options in foreign policy. The general elections to the Constituent Assembly of

⁷⁷. The Italian case is strikingly similar to the French one; see Alfredo Canavero: a) "Tommaso Gallarti Scotti and his Role in Foreign Policy after World War II", Journal of Italian History, 1978, no. 1, pp. 35-38; and b) "Nenni, i socialisti italiani e la politica estera", in Ennio Di Nolfo, Romain H. Rainero and Brunello Vigizzi (eds.): L'Italia e la politica di potenza in Europa (1945-50), Firenze [Marzorati Editore] 1990, pp. 224-78, p. 248-49. Tommaso Gallarti Scotti, the first Italian Ambassador to Spain, sent to negotiate the settlement of the Spanish war debts with Italy.

⁷⁸. AD, Z/E vol. 65: Telegram from the Spanish Director-General of Economic Policy at the Ministry of Foreign Affairs, Emilio Navasquès, to Bernard Hardion, appointed in May 1945, after Truelle's death, Chargé d'Affairs in Madrid, Saint Sebastian, 7 August 1945. Navasquès was the leader of the diplomatic attempt at the end of 1944 to take over foreign economic policy, leaving the other ministries to act as simple technical advisers, see chapter one, pp. 29 ff.

⁷⁹. AD, Z/E vol. 66: Direction d'Europe, Sous-Direction de l'Europe Meridionale, "Note Relations franco-espagnoles", 28 January 1946.

21 October 1945 put an end to the independent course of action -in relation to the new Republican parliamentary institutions- undertaken by the Ministry of Foreign Affairs. The French Communist Party became the strongest political party with 26 per cent of the electorate vote, claiming a much larger share of power in the Government. After the elections and in the first post-de Gaulle Cabinet, under the leadership of the Socialist Félix Gouin, Communists occupied several ministerial posts (Labour and Social Security, Industry and Commerce, Health and Population, Reconstruction and Housing) and demanded one of the three key posts, either Interior, Foreign Affairs or Defence. De Gaulle in November 1945 had refused this, creating the precedent to be followed by his successors.⁸⁰ When the Foreign Affairs Commission of the Constituent National Assembly in December 1945 repeated the call for breaking off relations with Spain, the political move made towards the Assembly, dominated by the Communists, to avoid widening the gap between the Government and the Assembly over the Constitution and the crisis over the composition of the Cabinet after the elections was a temporary solution to the problems with Franco Spain.

Franco-Spanish relations became a vital question in French foreign policy.⁸¹ Two set of circumstances could, in our view explain this. First, it was due to the domestic circumstances of political struggle between parties. Communists pressed for controversial action in foreign policy so as to publicly embarrass the MRP. Second, the importance of the problems created by the political nature of the Spanish regime enhanced by the meager results of French foreign policy and the recognition of France's diminished importance in post-war international politics. The non-Communist French public and parliamentary opinion was convinced that action against Franco Spain would give the opportunity to France to take the lead in, at least, one issue in international politics. In Blum's words:

⁸⁰. Edward Mortimer: "France", in Martin McCauley (ed.): Communist Power in Europe 1944-1949, London [MacMillan] 1977, pp. 151-67, p. 157. For earlier politics of the 4th Republic see Philip Williams: La vie politique sous la 4^e République, Paris [Librairie Armand Colin] 1971, and its foreign policy, John W. Young: France, the Cold War and the Western Alliance, 1944-1949. French Foreign Policy and Post-War Europe, London [Leicester University Press] 1990.

⁸¹. J.W. Young, *op. cit.*, p. 78.

"La question espagnole est une de celles où il appartient légitimement à la France d'orienter la politique internationale, une de celles où, le cas échéant, elle pourrait le plus naturellement manifester sa <<indépendance>>." ⁸²

Unilateral rupture of relations with Spain appeared expressly cited in the agreement reached on 21 November for the new government of national unity, which included Communists.⁸³ De Gaulle felt unwilling to leave the Spanish issue uncontrolled at this sensitive point in time, governed by an unwillingness to antagonise sectors of Government and risk public outbursts over foreign policy already soured over other aspects. He communicated personally to Franco that he had the intention to resist pressure and to keep diplomatic relations with Spain.⁸⁴ Spain was not only one question with considerable domestic ramifications but also a factor that intruded upon and further burdened an already complex agenda of international problems that the Presidency and the Quai d'Orsay faced. Hence a solution of the issue, albeit not the most satisfactory solution, was necessary and desirable if the potential of domestic political discontent was not to become permanent, and fester into an all-pervading resentment and disillusion liable to produce adverse consequences. Without alternative and despite being uncommitted to this, the French Minister of Foreign Affairs, on 12 December 1945, called upon the Governments of the United States and the United Kingdom for joint action in breaking off relations with the Spanish Government to secure the downfall of General Franco and his regime.⁸⁵ The French Ministry of Foreign Affairs, however, expected that the Allies would convince the forces supporting a break with Spain to reconsider their position.⁸⁶

⁸². Article appeared in Le Populaire, 19 December 1945, published in L'œuvre de Léon Blum, op. cit., p. 184.

⁸³. L'Année politique 1944-45, p. 341, cit. in Brundu, "L'Espagne ...", cit., p. 170.

⁸⁴. Artajo to Franco, 10 December 1945, Artajo's Private Papers, as cit. in Portero, op. cit., pp. 133-34. See chapter one, footnote no. 59, for the reason why I am using secondary sources in relation to Artajo's private papers. Details in Archivalia section at the end of this thesis.

⁸⁵. Note to the British and Americans in AD, Z/E vol. 67; PRO, FO 371/49614; and in FRUS, 1945, V, the Ambassador in France to the Secretary of State, Paris, 12 December, pp. 698-99.

⁸⁶. PRO, FO 371/49614: Permanent Under-Secretary of Foreign Affairs, Orme Sargent, to Prime Minister, 17 December 1945; and Sir Victor Mallet, British Ambassador to Madrid since July 1945, to Bevin, 24 December 1945; FO 371/60350: "Extract from the Secretary of State's Record of his conversation with Monsieur Bidault on 1st February".

As expected, the official British and American replies were negative. As anxious as the French were to see the disappearance of Franco from power, the British argued against the proposed joint action in political terms. They expressed their concern that any joint action would not lead to the desired result but to the outbreak of disorder and renewed civil war. The bulk of the Spanish people, the Army and the important conservative sectors who disliked Franco but traded with the United Kingdom, feared the possibility that the sudden downfall of Franco could lead to another civil war. Resentful of direct foreign intervention in domestic affairs they would tend to reinforce the current situation, leading to a strengthening of General Franco's internal position.⁸⁷ Following the proposed French joint action, the British argued, the three Governments would deprive themselves of direct information to what was happening in Spain and the means to exercise a moderating influence on the regime, and rejected it.⁸⁸

The State Department was in full agreement with the line of argument set out in the British reply to the French. The policy of the US Government was to support all the international resolutions on Spain. Notwithstanding this, the US Government would take no action until an informal exchange of views with the Governments of France and the United Kingdom took place. Stalling was the American priority: "To discuss changes and realistically [assess] all aspects of this question".⁸⁹ The State Department informed the British Embassy in Washington that nothing good could come from a "premature" rupture of diplomatic relations with Spain. They had certainly no intention to break with Franco

⁸⁷. The idea was also supported by some leaders of the Conservative opposition to Franco, AD, Z/E vol. 68: Despatch no. 1210/EU from French Ambassador in the United Kingdom to Bidault, 15 April 1946; and Z/E vol. 67: Telegram from the French Delegation in Madrid, 10 March 1946. Franco expressed perfectly this tricky manoeuvre: "Plus nous sommes incompris, plus on nous combattrra de l'extérieur, plus on discutera nos gestes, plus nous serons amenés à affirmer notre révolution." Franco's public address in Segovia, 9 February 1946, *ibid.* Literature on the Franco regime still lacks -to my knowledge- an accurate explanation of the mechanisms that allowed Franco to benefit from any foreign difficulty to strengthen his personal power, passing from the post-civil war situation of Dictator holding an extraordinary office foreseen for emergency situations and, thus, limited in time to a permanent personal power.

⁸⁸. "His Majesty's Government are of the opinion that any rupture of relations with the Spanish Government at the present stage would be both premature and unwise." PRO, BOT 11/3068: Telegram no. 3011, FO to Paris, 21 December 1945, approved in Cabinet and communicated to the Quai d'Orsay on the 24th together with the Americans, FO 371/60349: British Embassy to Quai d'Orsay, 24 December.

⁸⁹. PRO, BOT 11/3068: Telegram no. 8547, Washington to FO, 23 December 1945.

and had only agreed to informal consultation without much publicity.⁹⁰ The French diplomatic records show that Anglo-Saxons were trying to convert the converted. The French Ministry of Foreign Affairs and the Presidency of the Republic were aware of the situation described by them.⁹¹ Domestic political circumstances reduced the room for policy manoeuvre.

The departure of de Gaulle on 20 January 1946, because it became obvious that his views favouring a strong executive would not be incorporated into the new Constitution, had left France not only with a solid Left-Wing influence at the National Assembly but with majority presence in Cabinet. In February 1946, Bidault confessed to Bevin and René Massigli, the French Ambassador to London, that he could do nothing else to restrain those fretful persons who were pushing France to an isolated move with the only result of strengthening Franco.⁹² If western democracies were hesitating over whether to follow strictly from the principles for which they had fought the last world war or to forget conflicts in order to return to more profitable activities, that was not so for some sections of French public and parliamentary opinion. It is certain that the Communist Party was not the only one who pressed for the breaking off relations, since unanimity against Franco Spain, considered the last residue of European fascism, was deeply felt by most political parties, but it was the only one strong enough to force the decision upon the Quai d'Orsay.⁹³

⁹⁰. The American reply in BOT 11/ 3068: Telegram no. 8541, Washington to FO, 22 December; FRUS, 1945, V, the Acting Secretary of State to the Ambassador in France, 22 December; and AD, Z/E vol. 66: US Embassy in Paris to Bidault, 24 December 1945.

⁹¹. AD, Z/E vol. 66: "Note pour le Général de Gaulle sur le problème espagnol", 20 December 1945; the different despatches from Hardion between December 1945 and January 1946; and Bidault's D'une Résistance, cit., pp. 132-39.

⁹². Bidault declared to be "under extreme pressure", AD, Z/E vol. 67: "Espagne", record of a conversation at the FO, 1 February 1946; and PRO, FO 371/60.350: "Extract from the Secretary of State's Record of Conversation with Monsieur Bidault on 1st February".

⁹³. Although taken for granted, it is quite difficult to measure the influence of public and parliamentary opinion on policy-making. Recent French research has revealed that neither the press nor public opinion were so decisively in favour of a diplomatic break off with Spain: "En fait, il semble bien que les décideurs cèdent plus à une opinion active qui correspond à leur électorat qu'à l'opinion globale." Aline Angoustures: "L'opinion publique française et l'Espagne 1945-1975", Revue d'histoire moderne et contemporaine, vol. 38, October-November 1990, pp. 672-86, p. 675. D.G. Boyce: "Public Opinion and Historians", History, vol. 63, no. 208,

Bidault had spent the previous sixteen weeks trying to placate the anti-Franco campaign and the second-last week of January declaring to the Constituent Assembly how frustrating a unilateral breaking off relations with Spain was to Allied policy and to French economic recovery.⁹⁴ A new summit between Bevin and Bidault took place on the 18th February, where Bidault declared to be pressed by the French Assembly to close the border with Spain.⁹⁵ Bidault recalls in his autobiography the Spanish problem as "a train of unpleasant and rather absurd developments".⁹⁶ To be fully effective any action in the direction of breaking relations with the Spanish Government should have to be taken jointly by, at least, the British, American and French Governments, something that he perceived as highly unlikely.

Following unilateral action, France would suffer alone while the rest would benefit from a larger share of whatever the Spanish had to offer.⁹⁷ The French population could easily forego Spanish oranges if they wished to do so but only with difficulty could the French economy forego, for instance, Spanish pyrites.⁹⁸ New calls by the National Assembly on 17 January and 22 February 1946 for unilateral rupture of relations with Spain forced the French Ministry of Foreign Affairs to abdicate from its *realistic* policy and left it without options. Bidault was asked by a majority of ministers to break off

June 1978, pp. 214-28, calls the historian's attention for the perils in the field of public opinion.

⁹⁴. Max Gallo: Histoire de l'Espagne franquiste, Paris [Robert Laffont] 1969, p. 120.

⁹⁵. PRO, FO 371/60350: Record of the meeting Bevin-Bidault of 18 February 1946.

⁹⁶. D'une Résistance, cit., p. 132. "[In 1946] I was not sure that I ought to complicate our existence, and even that of our neighbours, by arguing with Spain." *ibid*, p. 134.

⁹⁷. Tomás Súñer y Ferrer, Under-Secretary of Foreign Affairs [not to be confused with Serrano Súñer, Spain's former Minister of Foreign Affairs], said to Hardion, French Delegate in Madrid: "Vous avez certainement beaucoup plus besoin de nos produits que nous avons besoin des vôtres. L'Angleterre, les USA, la Suisse et l'Italie ne refuseront sans doute pas de nous livrer ce que nous aurions pu commander en France." AD, Z/E vol. 84: Hardion's telegram from Madrid, 27 February 1946.

⁹⁸. "L'interruption de nos relations avec l'Espagne n'irait pas sans entraîner des répercussions dont l'une serait très grave pour notre économie: nous importons d'Espagne, et ne pouvons, paraît-il, importer d'ailleurs, avec un nombre d'autres articles utiles, des pyrites, indispensables à la fabrication des produits dont dépend la remise en état et le rendement de nos vignobles, tant français que nord-africains." AD, Z/E vol. 66: Direction d'Europe, Sous-Direction de l'Europe Méridionale, "Note France-Espagne", 2 January 1946.

diplomatic relations with Spain once Trade Union officials had already taken unilateral efforts to speed up this decision, and the Post Telegraph and Telecommunications and Railways Trade Union Federations had called, on the 24th of February, for the breakdown of communications with Spain.⁹⁹ Even then, it is important to note, the Foreign Minister made the Cabinet accept a less drastic measure: the Council of Ministers decided on the 26th February 1946 to close down the frontier with Spain from the 1st of March, but this would not imply a break in diplomatic relations nor affect the Moroccan Empire.¹⁰⁰ In other words, despite its gravity, the measure was the most limited the Minister of Foreign Affairs could obtain in view of the consensus in domestic politics. The decision, extracted from the Ministry of Foreign Affairs, was not one to favour the solution of the Spanish question but to avoid a crisis of the French Government. Public and parliamentary opinion had removed any other possible course of action. Had de Gaulle not left office, the decision to close the border would have never been taken.

2.3.2. The British Labour Government

In the United Kingdom a different policy towards Franco Spain was followed in which decisive economic factors were not mixed with politics. After the war, the British Government was anxious to expand trade relations with Spain.¹⁰¹ With the arrival of the Labour Party to power, the similarities between the French and British political situations concerning relations with Franco Spain increased. Labour propaganda during the war agitated for the replacement of Franco. A British Labour Government's move in that

⁹⁹. See Alfred Grosser: La IV^e République et sa politique extérieure, Paris [Librairie Armand Colin] 3rd ed. rev., 1972 [1961], p. 195.

¹⁰⁰. AD, 2/E vol. 84: "Réunion interministérielle du 26 Février 1946". Copy of the memorandum in FRUS, 1946, V, pp. 1043-44. "I never thought it was a good idea [wrote Bidault]; but it was either that or a complete diplomatic break.", op. cit., p. 136. It was also decided to elevate the so-called 'Spanish question' to the UN Security Council, which the French never did. Brundu argues that this French policy corresponded to Bidault's desire to come closer to the Soviets to obtain their support on the French claims over the Ruhr, "L'Espagne ...", op. cit. It is argued here that it was an attempt to force a more general involvement, following the French example, so France could keep its market share in Spain.

¹⁰¹. At Potsdam, Churchill told Stalin of the importance of trade relations with Spain; PRO FO 371/49612: "Extract of minutes of the Third Plenary Meeting, Potsdam Conference", 19 July 1945.

direction would have represented, presumably, a concrete application of socialist foreign policy.¹⁰² The Anti-Franco movement "became a kind of mass passion in party circles, the only subject in foreign affairs on which Left and Right, intellectuals and uneducated trade unionists, rank-and-filers and backbenchers, were able to find themselves in enthusiastic agreement."¹⁰³ The demands ranged from economic blockade, rupture of diplomatic relations and, even, direct intervention. Despite the existing similarity between the general dislike against Franco felt in France and the United Kingdom, the Labour Government followed a different track to its French counterpart. The recall of Ambassadors, economic sanctions, and the breaking off diplomatic relations with Spain were made dependent upon what departments, other than the Foreign Office, thought about the possible effects of economic sanctions.¹⁰⁴ When the question was posed the answers received from Treasury, Board of Trade, the Foreign Office and the Ministries of Fuel and Power, Food, and Supply decided the policy-option to be followed.

Economic sanctions against Spain could take different forms. An oil embargo, a traditional weapon in modern economic blockade and warfare, was the first to be considered. It was frequently suggested that a total and effective embargo on oil supply from the United States and British sources in South America, particularly Venezuela, would suffice to bring about Franco's downfall. The Ministry of Fuel and Power denied the effectiveness of oil restrictions, given the multiple problems posed for implementation. A policy of enforcing oil sanctions, as any other economic sanction, would require the reimposition of several war time controls and procedures such as navicerts and control of shipping that would put an appreciable strain on British resources, both in respect of

¹⁰². The Chairman of the Labour Party National Executive, Harold Laski, announced that the Labour Government was committed to the restoration of democracy in Spain and that it would, if necessary, use economic sanctions to allow a Republican coalition to organise free elections, Alan Bullock, Ernest Bevin: Foreign Secretary (1945-1951), London [Heinemann] 1983, p. 163. "Laski was not a member of the Government nor even of Parliament, but people abroad did not understand the position he held in the Labour Party (no more, it appears, did Laski) and were very likely to take what he said as authoritative", *ibid*, p. 70.

¹⁰³. Michael R. Gordon: Conflict and Consensus in Labour's Foreign Policy 1914-1965, Stanford [Stanford University Press] 1969, p. 131.

¹⁰⁴. The nature of the French archives does not allow a precise determination of the position of the different administrative bodies involved in French policy-making. Details in section Archivalia.

finance and man-power. The British had ended economic warfare immediately after the German surrender, terminating black lists and all controls once the supply situation eased. The Foreign Office was certainly not willing to re-impose them for political purposes when their definitive withdrawal was scheduled sometime between May and September 1946.¹⁰⁵ Previous bans on oil supply to Spain enforced by the United States during the war as a tool of economic blockade, most recently from January to April 1944, had not been encouraging. They showed the lack of agreement between Great Britain and the United States on embargo policies and how resistant Spain proved to the effects of an oil embargo. In a way, it proved the extraordinary capacity of the Spanish Administration to bring down the rate of consumption in the country. Churchill's disposition to supply oil in 1944 to Spain from Middle Eastern sources despite an American ban to force an end to Spain's exports of wolfram to Germany, made it uncertain whether the Americans would follow the British if they were to apply oil restrictions now.¹⁰⁶ Even assuming the unlikely, that American owned oil companies would be all induced to follow British policy, it would probably take about eight months before oil sanctions brought Spain to anything like a stand-still.¹⁰⁷ As in the winter of 1943-1944, the Spanish had accumulated some stocks, which provided time to the Spanish Administration to oppose foreign demands. Stockpiling was possible because, contrary to the United States Government's intentions to keep the Spanish oil stocks low after the reassumption of oil shipments in April 1944, the British pressed hard in the opposite direction to get a share of oil trade for British companies. Documentation from the Spanish archives reveals that the British were using this argument as an excuse. In September 1945, the Head of the Fuels Commissariat presented a completely different vision (but probably also

¹⁰⁵. W.N. Medlicott, *op. cit.*, pp. 627-629.

¹⁰⁶. For the Anglo-American divergence of views on the matter during 1944, see Brian Crozier: Franco. A Biographical History, London [Eyre & Spottiswoode] 1967, pp. 383-85. Warren F. Kimball (ed.): Churchill and Roosevelt. The Complete Correspondence, 3 vols., Princeton [Princeton University Press] 1984, for sources on the matter. Further technical insights into the question of Allied oil policy towards Spain in Medlicott, *op. cit.*, vol. I chap. XV (v), and vol. II chaps. X (iii) and XIX (i). A brief account of Allied oil policy towards Spain during the war is in Herbert Feis (an economic adviser to the US Department of State): "Oil for Spain. A Critical Episode of the War", Foreign Affairs, January 1948, pp. 377-89.

¹⁰⁷. PRO, BOT 11/3068: Minute Sheet of the interdepartmental meeting at the FO on the 28th February 1946. One idea was that Shell and Standard Oil Company were to be induced to operate such an embargo in return for a monopoly, BOT 11/3068: Telegram no. 219, Lisbon to FO, 19 February 1946.

exaggerated) of the Spanish ability to face a cut in oil supply. He argued that the country's stocks would be completely exhausted in October if a cut took place in September.¹⁰⁸

The main reason for opposing an oil embargo seems to have been that any unilateral action by British oil companies without the Americans would simply deprive British companies of a market, with probable prejudicial effects both for the future of the companies and for the financing of British purchases in Spain. American business would gain, Spain's oil supply would be little effected and progress towards democracy in the country limited. Furthermore, it was impossible effectively to control trade across Portugal's frontier into Spain, and so the Iberian Peninsula had to be treated as a whole. An effective embargo of Spain implied imposing import rationing on Portugal causing dislocation and confusion for its economy and people with important effects on the stability of a harbour for western strategy. This contradicted Britain's most cherished goals in their Portuguese policy: neither a return to pre-Salazar days, nor losing the very valuable strategic asset that Portugal constituted for the British Empire whilst obtaining the maximum commercial advantages from bilateral trade.¹⁰⁹ Yet the British Government was precluded by the Azores agreement from imposing economic sanctions against Portugal.¹¹⁰ In April/May 1947, when Portugal was asked by the FO as to whether it would cooperate in economic sanctions, it "stated categorically" that it would not provide assistance to make economic sanctions effective against Spain.¹¹¹ Finally, it could constitute an awkward precedent if, as the Foreign Office feared, the Americans

¹⁰⁸. MAE, Leg. 1331, exp. 41: Report by General Fernando Roldán, Director of the Commissariat for Fuels, 5 September 1945, also cit. in Viñas et al., op. cit., vol. I, p. 474, footnote no. 36.

¹⁰⁹. PRO, BOT 11/3068: Intel no. 27.

¹¹⁰. Medlicott, op. cit., vol. 2, p. 563.

¹¹¹. "Therefore if they were to be made effective they would necessarily have to be applied against Portugal also. This step would seriously impair friendly relations between Portugal and the UK and among other things might adversely affect the strategic advantages already obtained in the Portuguese islands (the Azores) and elsewhere.", FRUS, 1947, III, the Ambassador in the United Kingdom to Marshall, London, 10 May, pp. 1077-78.

at a certain stage wanted the United Kingdom to join them in sanctions against Argentina.¹¹² Conversely, oil restrictions could only lead to Franco's downfall if complete economic breakdown was achieved, which was a most undesirable aim.

Oil restrictions having been rejected, trade discrimination entered the scene. Any restriction on trade flows with Spain caused problems for Ministries dealing with supply of foodstuffs and raw materials. The Ministry of Food thought that it was much easier and safer to stick to Spanish exports of foodstuffs, in spite of political considerations, than to desperately look for other sources of supply.¹¹³ The Raw Materials Department of the Ministry of Supply argued that "the curtailment or cessation of the supplies of raw materials which the United Kingdom is at the present drawing from Spain would be little short of disastrous."¹¹⁴ Furthermore, British industry could suffer "some permanent harm".¹¹⁵ It was believed that some of the Spanish supplies were indispensable to meet some orders. This was mostly the case in the iron and steel industries, as previously shown, to countries like Switzerland and Sweden if there was a falling off of Spanish iron ore and pyrites. In the financial field the situation was not perceived in a better light.

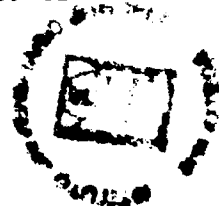
The British financial position was somewhat precarious by the end of the war. This was essentially due to the abrupt termination of Lend-Lease and Mutual Aid immediately after the end of the war with Japan, in August 1945. These financial programmes had provided the United Kingdom with essential and non-essential supplies during the war. By 31 October 1945 British net gold and dollar reserves were about £450

¹¹². In the case of oil sanctions, PRO, BOT 11/3068: Telegram no. 34 from Mallet to FO, 22 February 1946; extended to general economic sanctions, BOT 11/3067: "Minutes of a Meeting held at the FO on the 28th February (1946) to consider the possible consequences of a rupture of relations with Spain".

¹¹³. The Ministry of Food "wish to make it clear to the housewife that we could afford to indulge in action against [Spain] only at the expense of variety in the larder." PRO, BOT 11/3068: Minute sheet on the inter-departmental meeting of 28 February 1946.

¹¹⁴. Ibid., "Raw Materials Supplies from Spain", cit., 2 March 1946.

¹¹⁵. PRO, BOT 11/3067: "Minutes of a Meeting held at the FO on the 28th February (1946) to consider the possible consequences of a rupture of relations with Spain".



million and Britain's external debts of £3,500 million.¹¹⁶ At that point, when the Americans proposed to the British the purchase of oranges at \$4.5 standard box (all freights included), the British preferred to purchase at \$8 in Spain with payments in sterling due to dollar shortages.¹¹⁷ With extremely limited financial resources and a large external debt, Spain's continued the service of pre-world war debts. Moreover Spanish supplies were highly welcome to Britain. Spain had been setting aside a proportion of its sterling earnings to meet commercial and financial debts to the United Kingdom already after March 1940, when a clearing agreement was re-established by the Anglo-Spanish Trade and Payments Agreement. These debts were pre-civil war commercial debts amounting to about £8 million and a credit of about £4.5 million granted by the United Kingdom to Spain in 1940.¹¹⁸ Spain was earmarking 10 per cent of the value of exports to the United Kingdom for clearing the arrears of financial debts. British claims still amounted to about £8.5 million. Any break in the continuity of transfer of debts would militate against the eventual settlement of these claims.¹¹⁹ It was certainly not an excessive figure in all the conditions that confronted Britain but the Treasury considered Spain's granting the United Kingdom £4.5 million credit at the time of foreign exchange difficulties of considerable help. The Spanish holdings of sterling were to be raised to £10 million in 1947 as a result of the bilateral trade and payments agreement.

¹¹⁶. The Chancellor of the Exchequer to the House of Commons on 12 December 1945, 417 HC DEB, pp. 226. The ins and outs of the British financial situation are covered by J.C.R. Dow: The Management of the British Economy 1945-60, Cambridge [C.U.P.] 1964; Alec Cairncross, Years of Recovery, cit.; A.J. Youngson: The British Economy 1920-1957, London [Allen & Unwin] 1960, chap. vi, and D.H. Aldcroft, op. cit., chap. 8. See the records of the House of Commons of 12 and 13 December 1945, "Debate on Anglo-American Financial and Economic Discussions, 12 and 13th December 1945", 417 HC DEB.

¹¹⁷. Cit. in Max Liniger: L'orange d'Espagne sur les marchés européens, Geneva [Editions du Temps] 1962, p. 165.

¹¹⁸. A clearing agreement under which the proceeds of Spanish exports to the United Kingdom were collected by the Clearing Office and paid out to British creditors was concluded in January 1936 to recover outstanding debts due from Spain. The operation of this agreement was suspended shortly after the outbreak of the Civil War in Spain. Sterling standing to the credit of the Clearing remained blocked until commercial relations with Spain were resumed in 1940. The Anglo-Spanish Agreement of 18 March 1940 included a loan agreement under which Spain secured a sum of £2 million for expenditure in the sterling area. A further British credit of £2.5 million was agreed upon in November but could only be signed after overcoming opposition from Serrano Suñer, Spain's Minister of Foreign Affairs, on 7 April, see Chapter One para 1. A Financial Agreement, signed on 2 December 1940, governed those sterling payments not covered by the Trade and Payment Agreement of March 1940.

¹¹⁹. PRO, BOT 11/3068: Intel no. 27.

There was also an important consideration; that of Britain's immobilised assets and what a break would mean to put a stop to all British activities of control over former German assets in Spain or Safe-Haven. The latter corresponds to an operational code to block German assets in either occupied or neutral countries during the war period, which could be used by pre-eminent Germans to escape judgment at the end of the war. Under the Berlin Declaration of 5 June 1945 and in accordance with the Potsdam Declaration, 2 August 1945, the Governments of the United Kingdom, of the United States and the Provisional Government of the French Republic were jointly responsible for the German assets within geographical limitations in which Spain was located. It was believed, however, that German capital and scientific personnel had infiltrated into Spain in different economic sectors such as insurance, banking, mining, transport, electrical and optical industries through branches legally established in Spain by complexes such as Krupp, I.G. Farben, AEG, Telefunken, and new Nazi industrial complex. German investment in Spain amounted to \$46 million, of which \$36 million in old investment plus \$10 million in Sodinfus, an official German commercial company.¹²⁰

The Spanish Government was so cooperative with the Joint Trusteeship that the Economic Warfare Department of the British War Office, in early 1946, reported as uncertain that "any Government which might take the place of the present regime would be equally co-operative."¹²¹ The Economic Warfare Department stated that, due to the Spanish Government's cooperation, the United Kingdom "was steadily getting great quantities of German assets in Spain into its hands."¹²² In Austria the Allies ran into considerable problems with the Russians over the definition of German assets. The Swiss were not very happy about letting the Allies inquire into the state of German assets in their country. The Swedish were reluctant not to use German assets for the full recovery

¹²⁰. Robert H. Whealey: Hitler and Spain. The Nazi Role in the Spanish Civil War 1936-1939, Lexington [University Press of Kentucky] 1989, chapter 4. There has been no research done for Spain on the matter of Safe-Haven, although Viñas promised a monograph that never appeared, op. cit., vol. I, p. 467, footnote no. 21.

¹²¹. PRO, BOT 11/3068: Minute Sheet of the interdepartmental meeting at the FO on the 28th February 1946.

¹²². PRO, BOT 11/3067: "Minutes of a Meeting held at the FO on the 28th February (1946) to consider the possible consequences of a rupture of relations with Spain".

of their economies. The special circumstances in which Spain was placed due to its political regime, rendered its Administration more cooperative than one could have expected in order to reverse international political dislike or at least to compensate with a more pragmatic way of dealing with politics and economics. This would have been lost if a rupture of trade relations was to take place. The French experience was seen as very significant. Closing the border with Spain meant the exclusion of France from the conversations that the Spanish Government was to undertake with the three Western Allies on war reparations following the Paris Conference resolutions of mid-January 1946. It seemed as if the German interests were to be supplanted exclusively by British ones since France, by means of its diplomatic action, was excluded from the dealings (situation that lasted until September 1946).¹²³

Moreover, the Treasury argued strongly that Britain could not afford, at a time of a precarious financial position, to deprive itself of the advantages of buying in Spain:

"Spain was willing to give us substantial credit, being willing to hold sterling not only for our own purchases from Spain but also for purchases by other countries with which we have Payment Agreements. For some goods Spain was the only source of supply and in other cases where there might be alternative sources use of these would necessitate payment in more difficult currencies."¹²⁴

To consider whether this situation was as extreme as British officials put it is a clear case of perception with difficult historical test.¹²⁵ The important element, however, is that this

¹²³. AD, Z/E vol. 86: "La fermeture de la frontière Franco-Espagnole. Ses conséquences économiques. La reprise des relations commerciales entre la France et l'Espagne". Perspectives actuelles", by the Commercial Counselor at the French Embassy in Madrid, 15 June 1946. As a matter of fact in October 1946 the Spanish Government recognised the authority of the Allied Control Council for Germany, including the Provisional Government of the French Republic, with respect to German assets in Spain, its Possessions and Protectorate, and declared itself prepared to undertake general negotiations on this subject, see Treaty Series no. 70 (1948): "Exchange of Notes between the Government of the United Kingdom and the Spanish Government for the Recognition of the Assumption by the Allied Control Council of Powers of Disposal in regard to German Enemy Assets in Spain [with Annex]", Madrid, 28 October 1946, London [HMSO]. Documentation on the final setting of the problem of German external assets in Department of State: Germany 1947-1949. The Story in Documents, 1950, pp. 385-409.

¹²⁴. PRO, BOT 11/3068: Minute Sheet of the interdepartmental meeting at the FO on the 28 February 1946.

¹²⁵. Ahmad, op. cit., pp. 135 ff, argues that the economic considerations of the British were "a flawed rationale". It has been shown here that this was not the case.

situation was perceived among the British administrative divisions as a threat to the normal development of economic activity:

"In discussion(s) [at Cabinet] there was a general agreement about the importance of our economy of the supplies which we drew from Spain [...] For the angle of our own economic interests, it was clear that we could ill afford to impose economic sanctions on Spain."¹²⁶

It seemed as, except the colour of its political regime, the Spanish Administration was generally co-operative and helpful. Any action leading to economic sanctions would create difficulties in the supply of goods at the time of reconstruction and world shortages. The United Kingdom could not afford to adopt a hard line, either unilaterally or jointly for fear of retaliation against the British economy. After the opinions expressed by the different technical components of the British Cabinet, there was no option for the British Labour Government except to avoid further upheaval with Spain, despite the fact that Clement Attlee as Prime Minister and Ernest Bevin as Secretary of State for Foreign Affairs, were known anti-Franco leaders. The British Cabinet consequently acted by rejecting all the requests presented by the French after December 1945.¹²⁷

Contrary to the French Cabinet, the British Authorities, instead of cutting off relations with Spain, started to consider devices for developing trade. As early as January

¹²⁶. PRO, BOT 11/3067: CM(47)2nd, Conclusions, Minute no. 4, 3 January 1947.

¹²⁷. "[In] altered circumstances the British economy and people might have to forego important supplies of foodstuffs and raw materials which they at present obtain from Spain and of which this country stands in urgent need." PRO, BOT 11/3068: FO Telegram no. 3011 to Paris, 21 December 1945. "The supply of food-stuffs essential to the diet of the British people would be seriously diminished; the production of food-stuffs in this country would be materially reduced; British heavy industry would be further hampered, if not curtailed, requirements of coal would rise and the output of steel would probably fall, and the production of a wide range of consumer goods would be adversely affected [...] The rupture of economic relations would also create fresh financial difficulties for His Majesty's Government and seriously prejudice the interests of British creditors ..." *ibid*, Intel no. 27. The British Government followed this line on all the occasions it was requested to act against Franco, i.e. official replies to the French note of 23 March 1946 in AD, Z/E vol. 68: Confidential Despatch no. 1316 from the US Ambassador in Paris, 7 April 1946 and British Embassy in Paris to the Quai d'Orsay, 9 April 1946. French note of 13 March in FRUS, 1946, V, pp. 1052-54. Note of 22 March to the British in FO 371/60354: Memorandum from the Quai d'Orsay to the British Embassy; and Note of 25 March in FRUS, 1946, V, telegram from Caffery to Byrnes, 25 March, pp. 1061-62. Even in Spring 1947 when the initiative was American, to express their views to Franco, Generals, business men and members of non-Communist opposition, the British used the same arguments to oppose intervention, debate to be followed in FRUS, 1947, III, pp. 1066-82. See the following chapter, pp. 135 ff.

1946, the Treasury and the Board of Trade argued that it was rather more beneficial to negotiate with a view to replacing the 1940 restrictive clearing with Spain by a more liberal type of agreement in accordance with British general foreign economic policy with Western Europe.¹²⁸ Bevin decided that it was "impolitic" to negotiate since any formal agreement could be presented either in Britain or in Spain "as giving countenance to the Franco regime." The material advantages to be derived from providing a more liberal treatment to Spain, convinced Bevin to agree with his colleagues and it was decided that Treasury should open informal discussions with the Spanish Administration.¹²⁹ Negotiations to replace the 1940 clearing system by a new Monetary Agreement started with visits of Treasury officials to Madrid and few Spanish officials, who did not occupied any political position, to London. In October 1946 official negotiations were opened and by the end of February 1947 the essential features of the agreement were agreed upon, although it could not be signed until the 28th of March when some political problems were finally overcome, coming into force on 8 April 1947.¹³⁰

The payment agreement with Spain was on similar lines to the other payment agreements concluded by the United Kingdom between October 1944 and May 1946 providing for a more flexible mechanism of payments, namely, in chronological order, with Belgium, Sweden, France, Denmark, the Netherlands, Czechoslovakia, Norway,

¹²⁸. PRO, BOT 11/3068: Minutes of a meeting of BT, T and FO, 4 January 1946. Payments between the Sterling Area and Spain were governed by two agreements dated in 1940, the Anglo-Spanish Trade and Payments Agreement of 18 March and the Anglo-Spanish Financial Agreement of 2 December, both of them HMSO publications. The Trade Agreement was concluded for the settlement of Anglo-Spanish current trade, and for the payment of current financial claims on Spain and pre-Civil War debts. The Financial Agreement set up a special account system covering the settlement of debts and remittances between Spain and the Sterling Area as a whole in so far as these were not conclusively provided for by the March Trade Agreement. An Anglo-Spanish Clearing Office and a Spanish Special Account were established for payments for goods of Spanish origin imported into the United Kingdom or the Sterling Area (other than the United Kingdom), respectively.

¹²⁹. "Making it perfectly clear to them that any publicity which might be twisted for political purposes would inevitably put an end to the discussions." *ibid.*

¹³⁰. Treaty Series no. 23 (1947): "Monetary Agreement between the Government of the United Kingdom and the Government of the Spanish State [with Protocol]", London [HMSO] 28 March 1947. The date was carefully chosen because Bevin would be absent from London and it was the last working day of Parliament so the debate was postponed until the end of vacations when the agreement was already fully operational, Portero, *Franco aislado*, cit., p. 262.

Switzerland, and Portugal. A mechanism for payments between the Sterling Area and the Spanish Monetary area was based upon a reciprocal credit margin or *swing*, to permit as uninterrupted a trade as possible more in harmony with the exchanged obligations undertaken under the Anglo-American Loan Agreement. The Anglo-Spanish Clearing was abolished, arrangement being made instead for accounts to be opened by the Spanish Foreign Exchange Institute (IEME) with the Bank of England into which were paid the proceeds of imports of Spanish goods into the United Kingdom. The swing, also called manipulation credit, reciprocal revolving credit or working balance, consisted in an amount established in the agreement, after consideration of the volume and timing of reciprocal trade expected, as the limit up to which each partner was prepared to sell its currency for the other's currency without demanding cover in convertible currencies or gold. The reciprocal swing margin was the essential feature of post-war payments agreement.¹³¹ The United Kingdom and Spain agreed to hold the currency of the other up to £2 million or its equivalent to cover the swing of trade. In addition, although it was not published, Spain had agreed to hold a further £8 million to cover the expected balance of payments in its favour. In other words, the swing agreed upon with the Spanish allowed the British to obtain credit facilities from Spain up to £10 million to finance essential imports of foodstuffs and raw materials.

Once the formal instrument for trade was agreed upon by both parties overcoming many technicalities involved, the problem was to find the right political occasion to sign it. It was certain that the Spanish Government, always anxious of obtaining arguments to mark its return to world affairs, was going to exploit it. Despite reiterated expressions of hostility, the United Kingdom was prepared to sign a formal agreement with them. This could have temporarily given the Spanish Government an appearance of increased stability and, on these grounds, political criticism at home and abroad was expected. The Foreign Office decided that, although important, political arguments could not outweigh the practical and material arguments in favour of making the agreement. Therefore it informed the Treasury that in spite of the political disadvantages, the Chancellor of the Exchequer

¹³¹. Johan H.C. de Looper: "Current Usage of Payments Agreements and Trade Agreements", International Monetary Fund Staff Papers, vol. 4, 1955, p. 345.



should defend the decision in the House of Commons, Cabinet, or elsewhere.¹³² It was soon learnt in Spain as well as in the United Kingdom and in rest of Western Europe how to overcome the extremely uncomfortable confrontation between politics and economics when trying to do business with Spain. The solution was to present the matters covered as technical dealings. This constitutes a main characteristic of Spain-Western European economic relations. The bilateral agreement provided the first grounds for this discovery. An official from the Foreign Office wrote:

"For the first time we have a serious conflict between our political attitude towards Spain and our essential economic advantage [...] We have consistently maintained commercial relations with Spain. We have opposed any form of economic ostracism. We have made our political views clear in public and have shown that they are not incompatible with our economic policy. We are now in urgent need of a favourably economic agreement with Spain [...] and we can have it at once if we are prepared to face unjustified though perhaps bitter criticism at home and abroad."¹³³

The new agreement was presented to Parliament as "essentially a technical readjustment" with no political implications and a necessity to secure trade with Spain.¹³⁴ That is, it represented no change in the policy towards Franco nor any deviation from the obligations under the United Nations. It was recalled that neither the Assembly's resolution on 12 December 1946 nor any other act by the United Nations precluded bilateral arrangements between its individual members and Spain. This agreement provided for an intensification of bilateral trade relations.

Although the British Government did not consider the Franco regime as the most adequate political government for Spain, they concluded that there was no alternative Administration able to guarantee "a solid, representative and stable regime" as well as a "friendly Government" to the United Kingdom. They considered the Franco government to be able to guarantee supply and the protection of important British economic interests. This has important connotations for historical research. First and most importantly, it proves how the actual commercial and financial behaviour of the Spanish Government

¹³². PRO, FO 371/67895: FO to T, 4 March 1947.

¹³³. Ibid., Minutes by Mr. Hogg in jacket Z 1941, 24 February 1947.

¹³⁴. Ibid., notes for a parliamentary question, 3 April 1947.

during the few months after the world war, had a positive effect on Britain, but also in the rest of Western Europe, even in France, despite the ultimate decisions towards it. Second, the British position reveals the little impact the Spanish opponents of Franco had on Western policy-making.¹³⁵ Support for the opposition to Franco served as testimony of goodwill for a democratic Spain to be used in public politics, but this was not allowed to disturb economic and commercial courses of action. The Allies disliked the Spanish regime, but valued highly its stability and the supply, although limited, of the Spanish economy. They neither considered supporting the active guerrilla nor substituting the Franco regime either by democratic institutions from the Republican era or by a Monarchy of a constitutional character, the latter remaining little more than a theoretical possibility. They did not wish to risk new outbreaks of violence in that region. Temporary continuance of Franco in power, which did not seem directly to threaten any vital British interests, was a lesser evil than ultra-violence and anarchy that British perceived as the possible outcome of a displacement of Franco. A few months after Nazi Germany's capitulation, economics had imposed their logic of prudence upon political principles.

British policy towards Spain was not isolated from the general paradox of the Labour Government's failure to implement a specific Labour approach to foreign affairs. Bevin had taken care in keeping contact with his Conservative predecessor, Anthony Eden, to show that Britain had one national foreign policy. In the Spanish policy the British Labour Party followed the same attitude as the War Cabinet had in the economic policy towards Spain.¹³⁶ Bevin's first appearance as Foreign Secretary in the Commons

¹³⁵. The history of the Spanish political opponents of Franco received great attention at one point in time when the history of the Franco regime was deemed to be the history of its opponents. See similar appreciation in Juan Pablo Fusi: Franco. Autoritarismo y poder personal, Madrid [El País] 1985, p. 16. Complete references in Javier Tusell, Alicia Altet and A. Mateos (coords.): La oposición al régimen de Franco. Estado de la cuestión y metodología de la investigación, Madrid [Universidad Nacional de Educación a Distancia] 1990, 3 vols.

¹³⁶. Different from the position maintained in November 1944 by Attlee, then Lord President of the Council and Deputy Prime Minister, of economic sanctions against Spain to be taken jointly with the United States and France, opposed then by the Minister of Economic Warfare, PRO, PREM 8/106: War Cabinet, "Policy Towards Spain", Memorandum by the Minister of Economic Warfare, 15 November 1944, and "Conclusions of a Meeting of the War Cabinet held at No. 10, Downing Street, S.W. 1 on Monday, 2th November 1944, at 5.30 p.m." During the entire war, the idea of intensifying the economic blockade against Spain was opposed by the British Government. The motives argued by the Minister of Economic Warfare not to apply sanctions towards Spain were

on the 20th August 1945 marked the lines of his policy towards Spain. He refused to embark on a policy of intervention in Spain, continuing the Conservative line. It was for the Spanish people, and them alone, to decide whether they would make any change in politics. For foreign powers to intervene would have the opposite effect to that desired and would probably strengthen Franco's position. It was a matter of principle that British foreign policy should be determined not by ideological sympathies or socialist solidarity, but by national interest. It was in British interests (as the Foreign Office perceived it) to keep a 'stable' international balance of power in the Mediterranean.¹³⁷ Bevin was deeply convinced that it would be a major disaster if they could only oust the Spanish dictator at the price of another civil war, a Russian objective, which would be followed by active Communist intervention.¹³⁸

as following: Whatever one could think of the incompetence, corruption and oppression of the Franco regime, it was no more authoritarian than Stalin, there was no moral justification for retaliatory action on a neutral country, the primarily to suffer were to be British traders and the people of Spain, economic sanctions would produce anti-foreign reactions in the country attacked, there could not be British interference in Spanish domestic affairs, what they needed then was peace and the revival of trade. Medlicott, based on a number of telegrams from Madrid to the FO during the first quarter of 1944, briefed the British position as follows: "Supplies of Spanish ores were necessary to maintain the British iron and steel output; British agriculture would suffer from shortage of potash.", op. cit., vol. 2, p. 157. For the British position during the war see chapter I of Ahmad, the most original section of his book; Enrique Moradiellos: Neutralidad benévola: el Gobierno británico y la insurrección militar española de 1936, Oviedo, 1990; Denis Smyth: Diplomacy and Strategy of Survival: British Policy and Franco's Spain, 1940-41, Cambridge, 1986; Jill Edwards: The British Government and the Spanish Civil War, 1936-1939, London [MacMillan] 1979.

¹³⁷. 413 HC DEB, 20 August 1945, pp. 293 ff; and Bullock, op. cit., pp. 193-94 and 242. The reader is invited to compare this statement with Churchill's in the Commons on 24 May 1944 and his letter to Eden on 10 November 1944; PRO, PROM 8/106. On the same day as Bevin's first speech as Foreign Secretary to the House of Commons, Attlee demanded Laski, the Labour Party Chairman, "to refrain from issuing further pronouncements on what the Government would or would not do in foreign policy", Gordon, op. cit., p. 105, see above footnote no. 6.

¹³⁸. Bevin to Attlee, 14 November 1946, as cit. in Bullock, op. cit., p. 328. Literature evaluating Labour's overall record in foreign policy has put great stress on continuity in British foreign policy and the failure of the Labour Government to implement a specific Labour foreign policy. Ritchie Ovendale (ed): The Foreign Policy of the British Governments, 1945-1951, Leicester, 1984, specially p. 2.: "Though it persuaded ideals of Socialism at home, the British Labour Government did not extend those to foreign policy." Pressed by an ambassador to pay a visit to the latter's country, Bevin replied: "I'll bring Anthony along with me. It'll show that we have one foreign policy.", Anthony Eden, the Earl of Avon: The Eden Memoirs. The Reckoning, London [Cassell] 1965, p. 506, no exact date is given. Gordon, op. cit., p. 105, reads as follows: "For Bevin, far from repudiating continuity in foreign policy, had in effect repudiated a socialist policy as fantasy". Criticism came more frequently from Labour back-benches than from the Conservative opposition: Frank K. Roberts, Bevin's principal Private

Including Spain in broader frameworks than those traditionally offered by bilateral diplomatic relations provides a clearer vision of that country's foreign performance. Problems with Spain of political principle were not going to be allowed to become an obstacle that could avoid the concentration of efforts on the solution of main issues. Demands for economic reconstruction would modify in practice the ideological substance that had committed the French Government of National Unity and the British Labour party to certain principles. Post-war foreign policies were to be managed by the force of events. Many were already the controversial issues on which sections of official, parliamentary, press and public opinion diverged and caused dissatisfaction within Cabinet. French and British diplomacy had more important matters to deal with and, as a matter of principle, political disturbance should not interfere with a realistic economic policy based on an expansion of trade. This was a principle equally applicable to French and British foreign economic policies towards Spain. The British managed to overcome strong pressure coming from domestic as well as international quarters during 1945 and 1946 to avoid the imposition of economic sanctions to Spain. This was the immediate result of a pragmatic and non doctrinaire approach to foreign affairs; a stalwart defence of British interests in general. If France closed its border with Spain, it reopened it as soon as circumstances allowed it to do so and quickly agreed trade deals to recover the lost field in the economic sphere, the only real consequence of closing the border with Spain.

Secretary from 1947 to 1949, "Ernest Bevin as Foreign Secretary", in Ovendale (ed), op. cit., pp. 21-42, pp. 23 and 29; Sir Roderick E. Barclay, Bevin's last principal Private Secretary, after March 1949, Ernest Bevin and the Foreign Office 1932-1969, London [Butler & Tanner] 1975, pp. 81-82; Roger Eatwell: The 1945-1951 Labour Governments [Batsford Academic] 1979, pp. 228-29 and 503, and Victor Rothwell: Britain and the Cold War, 1941-1947, London [Jonathan Cape] 1982, pp. 228-30; Henry Pelling: The Labour Governments 1945-51, London [MacMillan Press] 1984, pp. 120-24; and Kenneth O. Morgan: Labour in Power 1945-1951, Oxford [Clarendon Press] 1984, pp. 60-61; Mark Hickson: The British Foreign Office Influence on Labour Britain's Anglo-Soviet Relations, 1945-1948, Ph.D.Diss., California State University, Fullerton, 1986. In May 1947 the State Department even called for an assessment of whether Bevin would survive at the FO, FRUS, 1947, I, pp. 750-51. Bullock, op. cit., sums up Bevin's action regarding Spain as part of Labour policy's of "continuity", pp. 71-72, 163-64, 193-94, and 278. D.N. Pritt: The Labour Government 1945-51, London [Lawrence & Wishart] 1963, p. 57, says that the Spanish press welcomed Bevin's first foreign policy speech as the first full anti-Soviet statement by a representative of the Western alliance. The failure to implement a specific Labour foreign policy has been applied, most recently, to the case of Spain; Ahmad, op. cit., pp. 163 ff.

2.4. Trade versus Politics: An Instructive Debate

The idea that political discrimination comprised economic discrimination is common place in literature.¹³⁹ This section will attempt to cast light on some revealing aspects of possible economic discrimination against Franco Spain: restriction in trade and US financial relief programmes. The first thing to notice is, however, that economic sanctions or a blockade was never agreed against Spain, apart from the clear economic consequences of the French decision to close its southern border. The use of economic sanctions to bring about the collapse of the Franco regime would have required the implementation of the blockade by as many foreign countries as possible. This proved unrealistic.¹⁴⁰ France, who had decided to adopt the first and only real measure against Franco, made efforts to enlist the support of other powers. The first stage was to draw in Great Britain and the United States, as shown in section 2.3.1. of the present chapter. Both of them refused. Only when the French Government, with the closing of the border with Spain, decided to present the so-called *Spanish question* to the Security Council of the United Nations, was any positive reaction obtained from both powers.¹⁴¹ Since the Anglo-Saxons did not like the question being presented at the United Nations where the Soviet Union could interfere, they hurried to agree upon a common declaration on 2 March 1946, providing no direct commitment. The Tripartite statement of the American, British and French governments on their relations with the Franco Government advocated the peaceful replacement of Franco by a provisional government that would restore a

¹³⁹. i.e., most clearly and recently expressed by R. Richard Rubottom and J. Carter Murphy: Spain and the United States Since World War II, New York [Praeger] 1984, p. 5, and Paola Brundu Olla: L'anello mancante. Il problema della Spagna franchista e l'organizzazione della difesa occidentale (1947-1950), Sassari [Università degli Studi di Sassari] 1990, p. 8.

¹⁴⁰. Apart from the Spanish case, consensus exists in literature that economic sanctions alone have been historically ineffective in the fulfillment of their objectives. See precise bibliographical references in Yaacov Bar-Siman-Tov, "The Limits of Economic Sanctions: The American-Israeli Case of 1953", Journal of Contemporary History, vol. 23, 1988, pp. 425-43. The recent military operation "Storm in the Desert" saves any further comment.

¹⁴¹. The French maintained the idea of bringing the question of Franco Spain to the Security Council: see FRUS, 1946, V, pp. 1043 ff.

system of freedoms.¹⁴²

Neither was a general commitment reached at the United Nations regarding economic sanctions against Spain. Since its first meeting, held on 10 January 1946, the General Assembly had dealt with the Spanish question without much effective result for those in favour of breaking diplomatic relations or imposing an economic blockade against Franco's Spain. An opportunity to involve a larger number of countries came, following an entire year of fruitless discussions, on 12 December 1946 with the approval of UN General Assembly's resolution no. 39(I).¹⁴³ It condemned the Franco regime as a creation of the Axis powers, called for the withdrawal of Ambassadors from Madrid and barred Spain from membership of the United Nations and its Specialised Agencies as long as the Franco regime remained in power. It was still only a verbal attitude, avoiding the imposition of economic sanctions. It must be questioned whether those countries having at the time appreciable commercial exchanges with Spain or special links, such as Portugal and Argentina, would have been at all enthusiastic about a policy of economic

¹⁴². AD, Z/E vol. 67: "Déclaration commune des gouvernements français, anglais et américain, concernant l'Espagne, en date du 2 Mars 1946". English version in A Decade of American Foreign Policy. Basic Documents, 1941-1949, New York [Arno Press] 1971: Doc. no. 182: "Relations with Present Spanish Government. Statement by the United States, the United Kingdom, and France, March 4, 1946", p. 887. The Note is also reproduced in Fernando María Castiella Maiz and Lleonart Amselem: España y la ONU. Vol. I (1945-1946). La <<Cuestión Española>>. Documentación básica, sistematizada y anotada, Madrid [CSIC] 1978, p. 62. A common declaration most wanted by the US Administration to satisfy its public opinion, FRUS, 1946, the Acting Secretary of State to the Secretary of State, at London, 18 January, pp. 706-707. That the Anglo-Saxons did not like this last aspect of the French decision becomes clear in ibid., the Ambassador in France to the Secretary of State, 27 February, pp. 1043-44.

¹⁴³. A Decade of American Foreign Policy, cit., doc. no. 183: Relations between Spain and the United Nations, (a) Resolution of General Assembly, February 9, 1946, and (b) Resolution of General Assembly, December 12, 1946. At its 1st meeting the Assembly endorsed the San Francisco and Potsdam declarations that Spain was not qualified to join the UN and recommended member-States to act in accordance with the letter and spirit of these declarations in their future relations with Spain. The Spanish question at the UN has been extensively treated and documented in Castiella and Lleonart, ibid.; Lleonart: a) España y la ONU, vol. II. La <<Cuestión Española>>. Estudio introductorio y corpus documental, Madrid [CSIC] 1983; and b) España y la ONU, vol. III, op. cit. The full story of Spain's early post-war relations with the United Nations is Roger E. Sanders: Spain and the United Nations 1945-1950, New York [Vantage Press] 1966. Several Doctoral theses in the United States deal with this specific point, i.e. Robert P. Huff: "The Spanish Question Before the United Nations", Michigan, Ann Arbor University Microfilms, 1966. A selective treatment of the main issues within the general circumstances of the UN is Evan Luard: A History of the United Nations. Vol. 1 The Years of Western Domination, 1945-1955, London, MacMillan, 1982, chap. 19. The official Spanish response to the UN resolution, dated 2 January 1947 in FRUS, 1947, vol. III, p. 1053.

sanctions imposed by the United Nations.

From April to November 1946, the "Spanish question" was debated within the Security Council when it was transferred to the Assembly. The impossibility of proving that the existing political regime in Spain constituted a danger to world peace was the best argument against the imposition of economic sanctions. In April 1946 Dr Oscar Lange, Polish Delegate at the UN, described Franco's Government as a threat to world peace.¹⁴⁴ Lange mentioned in his support the closure of the French-Spanish border in February, the subsequent concentration of troops there and the large German population living in Spain. Supposedly, German scientists and technicians were helping to prepare the Spanish Army and working on the production of an atom bomb some 70 kilometres from Madrid with the Nazi holdings amounting to between \$100 to \$200 million.¹⁴⁵ British and Americans proved all of it to be very doubtful.¹⁴⁶ They presented evidence that the Franco regime was far from being capable of developing atomic weapons and that its Army was unable to threaten anyone but the Spaniards themselves.¹⁴⁷ Rejecting the hypothesis of Spain being a "threat to peace and security" was not just a question of semantic. It was an essential measure to avoid the adoption of drastic action.¹⁴⁸

¹⁴⁴. United Nations: Annual Report of the Secretary-General on the Work of the Organization, New York, 1947, p. 2, and several despatches of the British Delegation to the UN to FO, April 1946, in PRO, FO 371/60355.

¹⁴⁵. David W. Pike: "Franco and the Axis Stigma", Journal of Contemporary History, vol. 17, no. 3, July 1982, pp. 369-407, pp. 391 ff.

¹⁴⁶. PRO, FO 371/60355: FO to British Delegation at the UN, London, 13 April 1946; and FRUS, 1946, V, Secretary of State James F. Byrnes to the U.S. Delegation at the UN, Washington, 12 April 1946, p. 1067.

¹⁴⁷. United Nations (Security Council): Official Records First Year: Second Series Special Supplement, Report of the Sub-Committee on the Spanish Question, 1946. Christian Tauch, an EUI researcher studying French policy-making in the field of defence, argues that French military planners did not consider Spain as a possible military threat at the time, EUI seminar "Missed opportunities: French Military Policy in the aftermath of World War II", Florence, 16 May 1991.

¹⁴⁸. Art. 41 of the UN Charter reads as follows: "The Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations." Should these actions be inadequate to maintain international security, the Security Council was authorised by virtue of Art. 42 to adopt measures such as "blockade, and other operations by air, sea or land forces".

Application of economic sanctions, it was feared by many, would lead inevitably to political and economic chaos and the resumption of civil strife in Spain on a wide scale. Given the unwillingness of a majority to follow the path of economic sanctions, the UN General Assembly, in turn, emerged with the idea that if, in a reasonable period of time, the desired democratic change had not come about, the Security Council would have to adopt appropriate measures. All this was very ambiguous. Thirty member states of the United Nations had no diplomatic relations with Spain and so were unaffected by the resolution. The few ambassadors withdrawn were replaced by *chargés d'affaires* who acted to guard the national interests as before. None of the nineteen embassies accredited to Madrid was closed.¹⁴⁹

The UN resolution is, somewhat, equivalent to the French unilateral action of closing the border with Spain. Both can be qualified as choosing the lesser evil, avoiding the rupture of diplomatic relations. December 1946 might have been the lowest point of *formal* international recognition for the Spanish regime but the UN debates confirmed the Spanish Administration's belief that the international community was unwilling to attempt a replacement of the Franco regime or, at least, it was unwilling to implement a *de facto* economic blockade. Political discrimination as a real and direct threat to Franco regime's survival was then completely overridden, had it not been so much earlier.¹⁵⁰

The fact that political ostracism at the United Nations was obtained with the greatest effort and once Spain had recovered its network of bilateral trade agreements, played in favour of lesser economic effects than it might have expected at that time (or

¹⁴⁹. "The withdrawal of heads of mission was symbolic rather than practical in effect. Of the fifty-two members, thirty states already had no diplomatic relations at this time and sixteen more had no ambassador or minister. Four [three] states did recall their ambassador or minister [the Netherlands, Turkey and the United Kingdom]; two others which had them, did nothing [Portugal and Switzerland].", Luard, *op. cit.*, p. 363. Diplomatic representation at the rank of Ambassador was limited to the latter two countries, Ireland, the Vatican, and, after January 1946, Argentina.

¹⁵⁰. The Area Handbook for Spain, Washington [US Government Printing Office] 1976, written by a research team led by Eugene K. Keefe, refers as following to the UN resolution: "At best the December resolution was a minor irritation to Franco, who used the UN attempt to isolate and topple his regime to strengthen his hold over the Spanish government. Inasmuch as the December resolution amounted to a mild diplomatic blockade devoid of any economic sanctions, Spain's survival was not jeopardy.", p. 271.

argued nowadays).¹⁵¹ Spain had continued to trade with France's main European competitors. Trade agreements had been signed with the United Kingdom, Switzerland, the Netherlands and Belgium after the closing of the Franco-Spanish border. Since the rest of Western European countries had some form of trade arrangement with Spain in place before March 1946, Spain showed little difficulty in disposing of its export surpluses, which in fact increased from 1946 to 1947 (see table 2.1). It is more likely that the significant fall in Spanish exports to the United States was not due to a sort of effective economic discrimination but to the lack of competitiveness of Spanish export commodities in the US market, the most competitive in the world. In a way, while exports to the rest of the world partly compensated the decrease to the United States, the overall trade increase corresponds almost completely to the increase in exports to the OEEC countries, which in 1947, after the UN discriminatory resolution of December 1946, maintained the largest percentage of Spain's exports with a further increase in 4 points. The vacuum left by France and Germany was immediately taken up by the rest of Western Europe. As soon as France partially recovered the 1935 volume in 1948 and Germany started to reappear as a consumer market, all Western European countries, except Sweden, Norway and the United Kingdom, received less from Spain in percentage terms of overall exports.

TABLE 2.1
SPAIN'S EXPORT TRADE
BY PRINCIPAL COUNTRIES OF LAST CONSIGNMENT
(f.o.b. in million of gold pesetas)

	1945	%	1946	%	1947	%
TOTAL TRADE	682.9	100	596.0	100	664	100
OEEC countries	413.5	60.5	320.8	53.8	385.1	58
US	177.6	26	159.7	26.8	77.2	11.5
Rest of the World	91.8	13.5	115.5	19.4	201.7	30.5

Source: 1947, UN Yearbook of International Trade Statistics 1950, New York, 1951, pp. 140; 1945 and 1946, Estadística de Comercio Exterior de España. Peninsula and Balearic Islands.

As in the case of the export trade, Spain's import performance with Western Europe did not follow from the degree of intensity of political dislike against the Franco

¹⁵¹. i.e. Joseph Harrison: The Spanish Economy in the Twentieth Century, London [Croom Helm] 1985, pp. 125 and 131.

regime (see table 2.2). While Spain's overall imports increased 32.6 per cent from 1945 to 1947, the percentage corresponding to the OEEC countries as a whole was 40.5 per cent. On the contrary, imports from the United States decreased 32 per cent. If Denmark, Norway and Turkey decreased their exports from 1946 to 1947, it was linked to factors other than political discrimination. The Spanish demand for foodstuffs from Turkey (97 per cent of total Turkish exports in 1946, especially barley and rye) was diverted to Argentina. The latter offered a credit line while Turkey wanted payments in hard currencies. Trade relations with Norway and Denmark did not benefit from the possibility of accumulated deficit. In 1947 the scarce exchange stock of both countries' currencies imposed to pull down trade.¹⁵² The rest of the future members of the OEEC overtook France immediately as suppliers of the Spanish economy. Most of the countries listed show constant increases in export trade to Spain during the three first years of the immediate postwar period. Germany has disappeared for obvious reasons and France has stepped out as a supplier.

TABLE 2.2
SPAIN'S IMPORTS BY PRINCIPAL OEEC COUNTRIES AND THE USA
(c.i.f. in gold pesetas)

	1945	1946	1947
TOTAL TRADE	743,665,118	773,109,036	986,068,563
Germany	17,235,935	1,617,645	2,064,450
Belgium-Lux.	1,438,895	2,837,240	32,057,049
Denmark	2,497,120	9,582,448	6,555,360
France	12,325,520	4,522,872	987,670
United Kingdom	36,175,754	77,630,334	76,992,110
Netherlands	514,521	4,912,309	27,931,599
Italy	3,036,636	8,806,107	17,870,719
Norway	1,689,454	18,921,370	7,058,559
Portugal	14,294,731	10,932,941	9,265,414
Sweden	18,652,561	24,984,995	25,292,274
Switzerland	62,825,807	52,522,341	29,156,547
Turkey	---	12,882,802	4,649,416
TOTAL OEEC	170,686,934	230,153,404	239,881,167
USA	157,549,412	162,194,961	107,381,800

Source: see table 2.1.

The marked increase in Spanish imports from Switzerland (and Sweden) in 1945 was due to their special position as neutrals. This increase was most marked in the case of Switzerland, which during the war years bought from Spain substantial quantities of fruits

¹⁵². AHBE, IEME, box no. 3: C/A, 16 October 1947.

and wines, not obtainable elsewhere, and exported in exchange machinery and chemicals. With the resumption of world trade, however, Switzerland turned to other and cheaper sources of supply, and in 1947 the important decrease in the case of Switzerland, rather than to effective discrimination against Spain, was primarily due to the high cost of Spanish exports, which Swiss subsidies financed by a 40 percent surcharge on Swiss exports to Spain, were unable to reduce sufficiently, bringing commerce between the two countries almost to a standstill.¹⁵³

If one supports the assumption that the decrease in export trade to Spain experienced by some Western European nations from 1946 to 1947 is a consequence of the logical extension of political dislike to the economic field, one should also note the fact that some other countries in Western Europe were happy to supply the gap. The total export decrease accounted for by some Western European countries towards Spain in 1947 as compared to 1946 equals the increase experienced by the Benelux countries! Apart from Switzerland and France, the only country that went through a constant reduction of its export trade to Spain from 1945 to 1947 was Portugal. It is a historical irony that this country has been traditionally considered in the Spanish historiography as an axis of Franco Spain's foreign policy!

The economic implications of political ostracism did not concern exclusively the question of access to Spanish supplies, whatever the importance of these were, as this chapter has mostly focussed on. It also involved the problem of filling the Spanish market as a supplier of manufactured goods once German competition had disappeared after the war. Supplies from Spain were mostly relief goods that could soon be replaced by alternative sources, even non-dollar sources, as soon as reconstruction progressed. On the contrary, the substitution of German supplies to Spain had long-term consequences; the British and French were decided on profiting from it as much as possible.

Immediately after the Liberation of France (i.e. before the decision to close the border was adopted) French delegates in Spain wondered whether there was any other

¹⁵³. Ibid., S/C, 19 May 1947.

market in Europe or outside Europe at the time offering to French industry similar possibilities.¹⁵⁴ In the United Kingdom there were arguments over Spain, during the period end of 1944 to Spring 1947, as being a market offering large short and long-term prospects for United Kingdom goods.¹⁵⁵ It is unclear what they may have thought as the real benefits to be obtained from the disappearance of the Germans. The trade situation in 1929, the maximum expansion of Spain's import trade in the pre-Civil War decade, which level was to be reached again only after 1960, could provide some clues (see table 2.3). Manufactured goods accounted then for a little more than 48 per cent of Spain's overall imports and four countries only counted for 71 per cent of total Spain's imports of these commodities. The disappearance of Germany as a supplier of capital goods and the Spanish currency difficulties with the United States due to the scarcity of dollar, left ample room for competition between the United Kingdom and France, from which both thought to be able to benefit at the expense of the other.

TABLE 2.3

SPAIN'S IMPORTS IN 1929
(imports c.i.f. in million gold pesetas and %)

Total Imports	2,737	100
by Groups of Commodities		
- Foodstuffs	554	20.2
- Manufactured Goods	1,323	48.3
- Raw Materials	847	31
- Live Animals	13	0.5
Total Imports of Manufactured Goods by Countries	1,323	100
- USA	249	18.8
- Germany	248	18.7
- France	233	17.6
- Great Britain	208	15.7
TOTAL	938	70.9

Source: Estadística General de Comercio Exterior de España. Peninsula and Balearic Islands.

Spain was one pawn in the general strategy to capture traditional German markets after the war. France, going alone along the path of bilateral sanction and discriminatory

¹⁵⁴. "L'Espagne constitue un marché où nos industries lourdes pourraient trouver un débouché important" AD, 2/E vol. 92: "Note du Conseiller Commercial résumant la situation économique de l'Espagne", Truelle to Bidault, annex, 3 November 1944.

¹⁵⁵. Board of Trade, Department of Overseas Trade: Spain. Review of Commercial Conditions, London [HMSO] October 1945 and BOT 11/3067: CM(47)2nd, Conclusions, Minute no. 4, 3 January 1947: "From the long-term point of view, there was also a large potential market for us [in Spain]."

action against Spain, was to suffer the economic consequences. The French Ministry of Foreign Affairs, despite the need to act very carefully in turbulent waters, was of a clear-cut position:

"Ce n'est pas au moment où les Américains et les Britanniques, sans se préoccuper de l'attitude passée du Gouvernement du Général Franco, déplacent tous leurs efforts pour s'ouvrir en l'Espagne des débouchés nouveaux et certains approvisionnements, que nous pouvons songer à rompre nos relations consulaires avec l'Espagne qui d'après notre Conseiller Commercial à Madrid, est disposée à expédier vers la France des matières premières nécessaires à la reprise de notre industrie."

"Le Département a toujours été d'avis qu'il n'y avait aucune raison de nous priver des conséquences heureuses résultant de nos relations d'échange avec l'Espagne et de laisser le champ libre à nos concurrents notamment la Grande-Bretagne et les Etats-Unis."

"Notre présence en Espagne nous met à même, d'une part, de protéger nos très importants intérêts dans ce pays, d'autre part, de lutter pour la conservation d'un marché que nous disputent précisément les exportateurs anglo-saxons."¹⁵⁶

"La France doit prendre en Espagne une grande part de la place laissée vacante par la défaite de l'Allemagne."¹⁵⁷

The French Chamber of Commerce and Industry, in Madrid and Barcelona, and the French Union Circle, representing all French business men dealing with Spain, also opposed the political decision to close the border. France had traditionally important economic interests in Spanish companies of automobile, chemicals, petroleum, phosphates, potash, insurance, banking, extracting industries of iron ore, zinc, and pyrites.¹⁵⁸ It showed aspirations to take part in the hydro-electrical efforts and in the announced modernisation of the Spanish railroad system. All these financial and economic interests could no longer be effectively defended. In terms of capital, French investment in Spain,

¹⁵⁶. Respectively: AD, Z/E vol. 3: European Division at the Quai d'Orsay, "Note pour le Cabinet du Ministre", 17 March 1945; Z/E vol. 92: General Director of the Economic Affairs Division at the Quai d'Orsay, "Note pour le Ministre", 23 November 1945; and, Z/E vol. 66: Direction d'Europe, Sous-Direction de l'Europe Meridionale, "Note France-Espagne", 2 January 1946.

¹⁵⁷. AD, Z/E vol. 86: "La fermeture de la frontière Franco-Espagnole. Ses conséquences économiques. La reprise des relations commerciales entre la France et l'Espagne". Perspectives actuelles", by the Commercial Counselor at the French Embassy in Madrid, 15 June 1946.

¹⁵⁸. It has been calculated that prewar British investment in Spain was of \$194 million, French \$135 million, American \$80, and German \$36 million, see Robert H. Whealey: "Economic Influence of the Great Powers in the Spanish Civil War: From the Popular Front to the Second World War", The International History Review, Vol. 2, May 1983, pp. 229-54, pp. 231-32, and Whealey Hitler and Spain, cit., p. 93.

about Ff 10,000 million, represented 50 per cent of total foreign investment in Spain or 60 per cent of France's total foreign investments by the date of the closing the border.¹⁵⁹ A negative economic effect was expected from the diplomatic move and confirmed shortly after the closure of the French-Spanish border:

"[L]e bilan d'une initiative qui, du seul point de vue de l'économie française, de notre effort de relèvement et de la reprise de notre expansion, peut être qualifiée de désastreuse [...] la nature de nos exportations à destination de l'Espagne est telle que la vie économique de la nation voisine ne dépend aucunement de leur maintien ou de leur arrêt. En l'occurrence, nous sommes les seuls victimes. De même que les seuls bénéficiaires seront nos concurrents qui sauront profiter de nos erreurs."

"Au moment où la France doit reconstituer son économie et assurer son ravitaillement, faire l'effort pour obtenir à l'étranger matières premières et produits alimentaires [...] le manque de relations économiques cause à nos affaires un dommage incalculable et permet aux autres nations étrangères de prendre une position prépondérante sur le marché espagnol au détriment du commerce et de l'industrie française."¹⁶⁰

"En Espagne où nous avons acquis l'assurance de pouvoir dans des nombreux secteurs et en tout cas, dans les plus importants, remplacer le fournisseur allemand, la fermeture de la frontière nous ammenait à abandonner notre place à des concurrents".¹⁶¹

The first indicator of the economic effects on the French economy could be provided by the value of contracts either already signed before the date of the closing of the border or that were ongoing with Spanish public or private enterprises for French supplies in material or equipment during the following three years, that were immediately canceled. The total value of both categories of contracts amounted to about Ff 4,000 million (see table 2.4). Half of the contracts with France related in one way or another to electrical equipment and to the modernisation of the Spanish transport system discussed

¹⁵⁹. Figures in AD, Z/E vol. 66: Direction des Affaires Economiques, "Note pour le Ministre a.s. des intérêts économiques français en Espagne", 10 January 1946; and Z/E vol. 48: Direction Politique, Quai d'Orsay, "Note", dated Paris, 1 June 1945.

¹⁶⁰. AD, Z/E vol. 84: Hardion to Quai d'Orsay, 8 March 1946; Z/E vol. 66: French Chamber of Commerce and Industry, Madrid, Circular no. 26 to the President of the Government, Gouin, 28 January 1946; and Z/E vol. 84: Director of the Chamber to Quai d'Orsay, 18 February 1946, respectively. Other complaints from Spain by French diplomatic personnel, the associations that represented French economic interests, individual entrepreneurs, as well as the rest of the French colony (around 20,000 people) in Z/E vols. 65, 82, 84 and 85.

¹⁶¹. AD, Z/E vol. 86: "La fermeture de la frontière Franco-Espagnole. Ses conséquences économiques", Madrid, 15 June 1946, previously cit.

during 1945 and formally proposed in January 1946.¹⁶²

TABLE 2.4
FINANCIAL LOSSES FOR THE FRENCH INDUSTRY
(in millions of French francs)

Items	Contracts Signed before 1 March 1946	%	Deal Orders Lost	%
Electrical equipment	275	12.5	600	34.5
Equipment for public works & fire brigades(*)	8	0.4	220	12.6
Lorries and vehicles automobiles(**)	740	33.5		
Peugeot tools	20	0.9		
Optical apparatus			100	5.7
Material for Naval building			63	3.6
Mining equipment	700	31.7	557	32
Scrap	180	8.2		
Dyes(‡)	6	0.3		
Textile Ind. Material	250	11.3	150	8.6
Equipment for Distilling	28	1.3	50	2.9
TOTALS	2,207	100	1,740	100
GENERAL TOTAL(§)		3,947		

Source: AD, Z/E vol. 67: "Pertes que la fermeture de la frontière causé à l'industrie française", Note no. 139 of the dossier; and Z/E vol. 84: "Préjudice causé à notre industrie sidérurgique par la fermeture de la frontière", Hardion's Despatch, 12 March 1946. Slightly different figures are provided by other sources: (*) Ff 238 million, Z/E vol. 82: Hardion's Telegram, 8 March 1946; (**) Ff 820 million, Z/E vol. 68: "Notes établies par le Conseiller Commercial de la Délégation Française à Madrid", 15 March 1946; (§) Ff 36 million, *ibid*; and (§) Ff 2,679 million for contracts signed and Ff 1,690 million for those ongoing that could never be signed, that is Ff 4,370 million as general total, French Commercial Councillor, as cit. in Z/E vol. 84: Hardion's Telegram to Bidault, 12 March 1946. This last figure is raised up to Ff 5,000 million in AD, Z/E vol. 86: "La fermeture de la frontière Franco-Espagnole. Ses conséquences économiques", Madrid, 15 June 1946, previously cit, and *ibid*, the Director General of Railways and Transports, "Note pour Monsieur le Ministre. Etude en vue d'une réouverture éventuelle de la frontière franco-espagnole", Paris, 27 August 1947.

French technicians, as on previous occasions, were called to supply the required material. Immediately after the decision of the Spanish Council of Ministers, French engineers representing a group of builders, especially from Alsthon, to which the

¹⁶². See the following chapter pp. 158 ff., for more detailed information about Spanish transport and energy reconstruction and modernisation.

development of the electrical engineering industry in Spain before the Civil War owed much together with some German firms, went to Madrid to hold talks with the Spanish National Railroad Company (RENFE). Spanish technical missions travelled to France.¹⁶³ It was perceived that Spain was at the time a market offering French industry immediate and large output targets.¹⁶⁴ The French Embassy informed its Government that Spain was willing to sign contracts of the value Ffl.000 million, especially for electrical locomotives.¹⁶⁵ These were all lost in February 1946.

Neither France nor Spain gained anything. On the one side, even if most countries were willing to trade once the French had decided to sepe out of the Spanish market, Spain was not able to trade freely with most of them on a large scale due to payments problems, in particular concerning equipment supplies. On the other side, forcing Spain to obtain supplies from the United States, Great Britain or any other western competitor, made it difficult for France to regain the share of the Spanish market lost once the political decision could be withdrawn. Losing initial orders might have implied non-entry into the Spanish market until the 1960s. The personnel involved, it has been shown, presented several arguments to show the great damage done to the French economy. Although a bit of exaggeration was necessary to impress upon Paris the economic effects of the political decision in order to re-establish normal trade channels with Spain, several

¹⁶³. AD, Z/E vol. 94: Telegram from Hardion, 26 January 1946. A transport conference taking place in Seville in November 1945, with Spanish and Portuguese representatives, constituted the first exchange of views, AD, Z/E vol. 94: Hardion's Despatch no. 320 to Quai d'Orsay, "Conférence ferroviare franco-hispano-portugaise à Seville", 12 November 1945. AD, Z/E vol. 86: "La fermeture de la frontière Franco-Espagnole. Ses conséquences économiques", Madrid, 15 June 1946, previously cit.

¹⁶⁴. "L'électrification des chemins de fer espagnoles et la signalisation électrique offrent à notre industrie des débouchés substantiels et immédiats.", *ibid*, Hardion's Despatch no. S. 27, 29 January 1946. As RENFE's General Director, the Lieutenant-Colonel of Engineers José María Rivero de Aguilar y Otero, informed the French commercial attache, Spain required electrical equipment and technical assistance for the following 12-year period, although basic production was left to Spanish industrial capacity, *ibid*, Telegram from Madrid, 15 February 1946. In 1935 five countries accounted for 74.7 per cent of Spain's total import supply of electrical goods: Germany (27.8 per cent), the United States (25 per cent), Switzerland (9 per cent), the United Kingdom (8.5 per cent) and France (4.4 per cent); Antonio Tena Junguito: "Importazioni, livelli di protezione e produzione di materiale elettrico in Spagna (1890-1935)", *Studi Storici*, no. 4, 1987, pp. 1005-26. German suppliers disappeared and the Spaniards were running into payments difficulties with the United Kingdom and Switzerland, the market was left to competition between French and British suppliers.

¹⁶⁵. AD, Z/E vol. 84: Hardion's Despatch no. NP 108 EU, 8 March 1946.

other elements proved to be significant.¹⁶⁶ It was not only that France had deprived itself of a main source of scarce raw materials and foodstuffs when the Monnet Plan was forcing every sinew of the country for an increase of productivity and output. There was also the long-term effect of blocking trade with Spain. As Hardion repeated:

"L'Espagne se transforme. Elle modernise son équipement. C'est un des rares pays d'Europe qui restait ouvert à notre industrie. La coupure, si elle devait se prolonger aurait par conséquence d'orienter l'industrie espagnole vers des fournisseurs américains, anglais, suisses [...] Lorsque des modèles seront adoptés, les ingénieurs en place, nous ne parviendrons plus à reconquérir le terrain perdu."¹⁶⁷

From a historical perspective, one can argue that the so-called 'modernisation' of the Spanish economy did certainly not take place then. The following chapter will show that the intention was present within the Spanish Administration. The French carefully noted the intended modernisation since they perceived themselves as being an important beneficiary.

The British commercial authorities made available to Spain the administrative instruments for an expansion of trade, plus the political guarantee of avoiding economic retaliation linked to political quarrels. Table 2.5. shows how the only constant feature in trade relations between the United Kingdom and Spain during the period 1945 to 1947 was the increase of British manufactures. The disappearance of Germans and French could perfectly explain this performance. With the signature of a Payment Agreement in March 1947, coming into force on the 8 April, the United Kingdom had made available to Spain an important instrument of trade. It is interesting to notice, regarding the different and conflicting path followed in political and economic relations with Spain, two elements. First, that it happened three months before the Conference for European Economic

¹⁶⁶. i.e. that the French National Railroad Society (SNCF) could not cash valuable Swiss Francs (estimates varied widely) of transfer duties in the traffic between Spain and Switzerland, necessary to balance the trade deficit with the latter, that 10 million working days were lost, and that a balance of \$50 million in favour of France as a result of the initial implementation of the bilateral trade agreement was not returned by the Spanish authorities; *ibid.*, "Réunion interministérielle du 26 Février 1946", and AD, Z/E vol. 86: "La fermeture de la frontière Franco-Espagnole. Ses conséquences économiques", Madrid, 15 June 1946, and "Etude en vue d'une réouverture éventuelle de la frontière franco-espagnole", Paris, 27 August 1947, document cited previously.

¹⁶⁷. AD, Z/E vol. 84: Hardion to Quai d'Orsay, 8 March 1946.

Cooperation started meeting. Second, that a revival of trade beneficial to Spain took place in 1947, after the famous UN resolution. The programme of trade agreed upon provided for the export to the United Kingdom of its minimum requirements of potash and iron ore and also its needs as regards pyrites, cork, rosin and other raw materials. Provision was made for substantial exports of numerous desirable, but less essential, Spanish products, all traditional exports to the United Kingdom, chiefly oranges, tomatoes, bananas, onions, fruit pulp, nuts, olive oil and sherry. In the first year of implementation, the agreement permitted the first big increase on British post-World War imports from Spain (about £6.7 million of increase). The increase amounted by foodstuffs (£7.7 million) covered the bad performance in manufactured goods (£1 million fall). On the other side, British export trade to Spain maintained the level and prepared the conditions for a further increase in the following years. The important decrease of British exports of raw materials to Spain in 1947 responded to the fuel crisis in February and March which led to the suspension of exports of hard coal previously available from this source.

TABLE 2.5
BRITISH IMPORTS FROM AND EXPORTS TO SPAIN, 1945-1947
(Value in £)

	1945	%	1946	%	1947	%
TOTAL IMPORTS	19,978,167	100	18,727,101	100	25,571,008	100
Class I	13,598,898	68	10,656,665	57	18,316,060	72
Class II	4,242,957	21	5,005,593	27	5,042,270	20
Class III	2,135,525	11	3,060,518	16	2,212,417	8
TOTAL EXPORTS	3,142,531	100	7,250,319	100	7,387,669	100
Class I	185,423	6	325,456	5	153,882	2
Class II	559,706	18	1,081,966	15	691,574	9
Class III	2,373,497	76	5,806,508	80	6,497,652	89

Source: Annual Statement of the Trade of the United Kingdom with Commonwealth countries and Foreign Countries, imp. c.i.f., exports f.o.b.; including Canary Islands and excluding Spanish Ports in North Africa, except for raw materials. Value of total imports, not of articles retained in the United Kingdom. Class I: Food, drink and tobacco; class II: raw materials, mineral fuels and lubricants; class III: manufactured goods.

In Britain, it was generally agreed that a break in commercial relations would be unfortunate coming just at a time when Spain was beginning to resume normal purchases from the United Kingdom. Avoiding economic sanctions meant to maintain British exports to Spain as well as British imports from Spain, which could be further increased in the immediate post-war period (although, certainly, very limitedly given the scarce increase in output in Spain). There was no claim that excluding Spain temporarily would seriously

interfere with the development of British production and export trade since Spain was a small and highly protected market and world demand for British goods still greatly exceeded the possible supply. However, a prolonged break in commercial relations was undesirable. The British would not have voluntarily excluded themselves from a market perceived as having considerable potential for the British industry in machine tools and other manufactured goods, at the time when German competition had disappeared and the French were willing to abandon the Spanish market.¹⁶⁸ On the contrary, any such action would probably increase Spain's tendency to economic protectionism and nationalism and intensify the main difficulties to the full development of trade. It is clear that Spain's trade performance escaped something like international economic ostracism. The low levels of trade and the low recovery of pre-Civil War years finds no explanation in trade discrimination.

It is also argued that political dislike of Franco's regime resulted in the US Administration's unwillingness to provide credits to Spain.¹⁶⁹ To argue that Franco Spain did not benefit from American aid due to political dislike implies the following initial hypothesis: that American aid could ever have been programmed for Spain. No real support can be given to this assessment.¹⁷⁰ A completely different argument would apply

¹⁶⁸. As Hugh Ellis-Rees put it: "[The British] have always tried to take the long view in the hope that sooner or later we should return to normal conditions and reap some benefit." PRO, BOT 11/3068: Minute Sheet by C.W. Senders, Economic Welfare Department of the War Office, on the interdepartmental meeting held at the FO on February 28, 1 March 1946.

¹⁶⁹. i.e. Viñas et al. op. cit., p. 469. Portero, op. cit., p. 221, without any documentary support whatsoever, argues that the UN resolution provoked a retraction of trade flows and that some governments discouraged credits and investment in Spain. It seems important to know that it was the Spanish legislation that limited foreign investment by restricting foreign capital in enterprises to a maximum of 25 per cent, Regulation and Defence of Domestic Industry Act of 24 November 1939. For the ideological reasons of this attitude see Juan Antonio Suances Fernández, minister of industry in Franco's first Cabinet, Instituto Nacional de Industria: notas en relación con la creación y desenvolvimiento de este Instituto, Madrid [INI] 1941, p. 8. The reduction of foreign private investment is a general post-war phenomenon, intensified in Spain due to unattractive investment and its inability to provide guarantees as bluntly stated in AHBE, IEME, box no. 2: C/A, 11 December 1945. For a more detailed account see the following chapter pp. 191 ff.

¹⁷⁰. The literature has adopted this argument from the letter sent by Roosevelt to the then recently appointed US Ambassador in Madrid, Norman Armour, on 10 March 1945, FRUS, V, pp. 667-668, and from a dispatch sent by the Acting Secretary of State to the US Ambassador in the United Kingdom, on 7 April 1947, FRUS, III, p. 1066. The President's letter says that "(t)here are many things which we could and normally would be glad to do in

to American aid offered through the ERP after Summer 1947 to be used in a coordinated way by Europeans, when Spain was not included. But pre-ERP and ERP American aid did not constitute an unity, since they were different in nature and in economic and political goals and principles. The specificity of Spain in the latter cannot be extended backwards to the first. It was the specific nature of American financial relief in that period, very significant for some countries (see table 2.6), that deprived the Spanish economy of its benefits and not the nature of the Franco regime.

TABLE 2.6

U.S. European Economic and Military
Assistance in the Post-War Period of Relief(*)
(in millions of dollars)

Countries	US FY 1946-1948	%
United Kingdom	3,836.9	38
France	1,909.1	19
Federal Republic	1,344.4	13
Italy	1,271.3	13
Total Four	8,361.7	84
Greece	723.5	7
Yugoslavia	298.1	3
Netherlands	238.2	3
Belgium-Lux.	163.4	2
Turkey	113.3	1
Norway	75	1
Denmark	21	-
TOTAL US AID	9,994.2	100

Source: U.S. Overseas Loans and Grants and Assistance from International Organizations. Obligations and Loans Authorizations July 1, 1945 - September 30, 1982 (*) It also includes Export-Import Bank loans, which were not included in reports of official economic and military assistance.

The first post-war American economic assistance was planned as short-term relief for countries that had participated in the war. American participation in programmes such as UNRRA or GARIOA (Government and Relief in Occupied Areas), civilian supplies, dollar credits to purchase American property and government loans (i.e. Anglo-US and Franco-US loans) were planned not to be turned into medium-term reconstruction aid,

economic and other fields to demonstrate [Spanish-American] friendship. The initiation of such measures is out of the question at this time, however, when American sentiment is so profoundly opposed to the present regime in power in Spain." The Secretary of State declared that as long as Franco continued in power "[w]e will continue to be blocked from providing the effective assistance which would make possible the economic reconstruction of that country". A further insight in the second document is provided in the following chapter, pp. 134 ff.

used for long-range peacetime purposes, i.e. modernisation of the national economic structures.¹⁷¹ They were ad hoc measures waiting for full action by the International Monetary Fund and the International Bank for Reconstruction and Development. The American relief made accessible through UNRRA (73 per cent of UNRRA's total subscriptions) was intended for immediate postwar rehabilitation to be completed by July 1946. Rehabilitation, Congress authorization was clear, was not to be considered the beginning of reconstruction with medium-term commitments, it was "coterminous with relief".¹⁷² Government relief, as the Preamble of the UNRRA agreement stated, was immediate aid to the victims of war to diminish their suffering by providing food, clothing and shelter, aid in prevention of pestilence and in the recovery of the health of the people, and for assistance in the resumption of urgently needed agriculture and industrial production and the restoration of essential services.¹⁷³ Once export trade had recovered in the participating countries by August 1946, the UNRRA Council refused to recommend new contributions arguing that additional foreign exchange was to be obtained through the re-establishment of bilateral deals between countries.¹⁷⁴ The Spanish Government could have never benefited from relief in the form of UNRRA, which accounted for almost 44 per cent of American post-war relief aid, independently of the colour of its political regime. The UNRRA programme by definition was limited to liberated areas, thus excluding neutral countries. Spain needed financial aid for reconstruction and modernisation six years after its Civil War but UNRRA explicitly excluded such purposes

¹⁷¹. A brief account of some of these programmes, in particular UNRRA, to be found in William Adams Brown and Redvers Opie: American Foreign Assistance, Washington [The Brookings Institution] 1953, pp. 87 ff and, more recently, in Charles P. Kindleberger: Marshall Plan Days, London [Allen & Unwin] 1987, pp. 96 ff. Both of them consider American aid provided to Europe during the fiscal years of 1945 to 1947 as a "transition" to the ERP.

¹⁷². American Foreign Policy. Basic Documents, 1941-1949, New York [Arno Press] 1971, doc. no. 12: "Participation in UNRRA, March 28, 1944. Joint Resolution to Enable the United States To Participate in the Work of the United Nations Relief and Rehabilitation Organization", pp. 21-22. Of the \$3,686 million in contribution made available to the UNRRA by its member governments, the United States Government contributed \$2,700 million, *ibid.*, p. 1237.

¹⁷³. *Ibid.*, doc. no. 11: "Agreement for United Nations Relief and Rehabilitation Administration, November 9, 1943", pp. 14-21.

¹⁷⁴. Brown and Opie, *op. cit.*, p. 110.

within its scope.¹⁷⁵

Another important source of American financial relief, American loans granted to governments, came directly from the settlement of war-time Lend-Leases, of which Spain was not affected. Furthermore, American Government loans, accounting in the case of the four big for 50.5 per cent of total US post-war financial aid, were not a straightforward phenomenon of American generosity towards democracies but granted on ad hoc country-by-country basis for the promotion of long-run American politico-economic goals for post-war international economy. To obtain a loan of \$3,750 million and a further credit of \$650 million to settle debts under previous lend-lease, of a request of assistance of \$6 billion, Great Britain had to declare the acceptance of the American proposals for an International Conference on Trade and Employment, including the principle of unconditional most-favoured-nation treatment, the reduction of quantitative restrictions and tariffs as barriers to free trade, and the removal of foreign exchange restrictions with the objective of making the pound sterling convertible on current transactions in July 1947. That Britain received treatment not comparable to the rest was somewhat obvious. The Sterling bloc, a large network of commercial arrangements based on Imperial Preference enabling trade on terms more favorable than those that were offered to other countries, made Britain one of the largest trading nations in the world. But only after a firm declaration to be associated with the United States in the effort to set a system of multilateral trade and payments, could Britain obtain transitional financial assistance from the United States and even then it took from December 1945 to July 1946 to get the Loan-Agreement definitively approved by the US Congress and signed by President Truman, ten months after lend-lease had been suspended. When the French lend-lease settlement was negotiated in May 1946, providing 72 per cent of the total financial assistance provided by the United States to France, a declaration similar to that made by Britain was necessary. Moreover, in this case as in the case of Italy, with Communist

¹⁷⁵. Most recently, in an excellent article, Jordi Catalán argues that the Franco regime renounced to foreign financial assistance and that had Spain been a democratic Republic, it could have being able to benefit from UNRRA arrangements, "Los años cuarenta en la periferia de Europa: la economía española en perspectiva comparada", in José Luis Casas (ed.): La postguerra española y la Segunda Guerra Mundial, Córdoba [Diputación Provincial] 1990, pp. 91-94.

parties sharing government responsibility, American financial relief was seen as necessary for a speedy economic success in economic recovery, although the acceptance of the American model for the international economic system was also the price to be paid for American financial relief. In Germany American financial aid was the strongest political sign that could then have been made to call for the allegiance of the German population.¹⁷⁶ The Benelux countries, Norway and Denmark deserved limited attention because war-damage and Communist threat was much smaller. When President Harry S. Truman called for economic and military assistance to Greece and Turkey on 12 March 1947 (aid approved in May), it was directed against a perceived Communist threat. Whilst in Greece terrorist activities of several thousand armed men, led by Communists, threatened the stability of the country and thus, following a domino theory, the entire area, in Spain guerrilla activities, mainly Communist crossing the Pyrenees and attacking installations in Northern Spain, were successfully smashed by the armed forces of a Government declared itself as crusader against Communism.¹⁷⁷ In other words, Spain had nothing to do with the reasons that impelled the Truman Administration to provide help to western Europe. Furthermore, apart from Turkey, none of the neutral countries received any American relief. Sweden, Switzerland, Ireland and Portugal, as well as Spain, did not receive one single American cent.

It is certain however that the Spanish economy, contrary to the economies of the rest of neutral countries, was still recovering from civil war disruption. The Spanish economy showed a level of National Income 22 per cent below that of the last pre-civil

¹⁷⁶. "The fact of Soviet occupation of Easter Germany has made competition among the occupying powers for the favor of the German population more acute in economic matters such as employment, standard of living and food rations. [...] The development of an adequate indigenous political basis for resistance to communism in Germany requires [...] much improved economic performance in the bizonal area [...] which warrants them in cooperating with the occupying forces for the benefit of the electorate to which they must appeal.", Kindleberger, op. cit., pp. 7-8.

¹⁷⁷. See the following chapter pp. 132 ff., for the implications of the Truman Doctrine for Spain. Cowan, op. cit., is the best published work -to my knowledge- on the guerrilla at the beginning of the cold war. An exposition of the guerrilla infiltrations in Spain from France and the quick repression exercised by the Spanish armed forces, during the second half of the 1940s, in Hartmut Heine: La oposición política al franquismo. De 1939 a 1952, Barcelona [Grijalbo] 1983, pp. 221 ff. and 420 ff.; Valentina Fernández Vargas: La resistencia interior en la España de Franco, Madrid [Itamo] 1981, pp. 91 ff.; and Sergio Vilar: Historia del antifranquismo 1939-1975, Barcelona [Plaza & Janés] 1984, pp. 130 ff.

war year, an industrial output only slightly higher than that of 1925, and an agricultural output only 59 per cent of the 1935 level.¹⁷⁸ This was, however, not a valid argument as far as the Truman Administration was concerned. No actual relief was pertinent in the case of Spain: it had been a neutral country -with all its different nuances-, it was perceived as not to be on the edge of economic collapse, it was far from being Communist-endangered, and it was up to its authorities to reconstruct the economy by joining the trend towards freer trade. If Spain had not taken full advantage of the benefits of neutrality, as other neutral countries had, who had derived substantial commercial advantages from the war and had achieved a positive structural development in the industrial sector, it had been its own choice.¹⁷⁹ If Spain did not take full advantage of the opportunities offered by Western European reconstruction for a larger promotion of exports, it was certainly due not to the political ostracism in place between the end of 1944 until the Spring of 1947, but rather to its slow economic recovery.

The Spanish Administration perceived positively the immediate post-war period despite the unfavourable attitudes the regime was facing.¹⁸⁰ The competitive purchasing of certain war materials by the belligerent enabled Spain to keep its balance of payments in a good position and to build up some modest reserves of foreign exchange. After the war this fortuitous support disappeared but Western European reconstruction allowed the development of traditional exports. The years 1944 and 1945 were positive in balance of payments and reserves of foreign currencies increased by 19 per cent (see table 2.7).

¹⁷⁸. Carreras: "Depresión económica y cambio estructural durante el decenio bélico (1936-1945)", in José Luis García Delgado: El primer franquismo. España durante la segunda guerra mundial, Madrid [Siglo XXI] 1989, pp. 3-33.

¹⁷⁹. Jordi Catalán "Autarquía y desarrollo de la industria de fábrica durante la segunda guerra mundial. Un enfoque comparativo", in García Delgado, op. cit., pp. 35-88, pp. 66-67.

¹⁸⁰. See, for instance, the IEME annual reports (Memoria) from 1944 to 1946 in AHBE, IEME, box. no. 7.

TABLE 2.7
SPAIN'S FOREIGN CURRENCY RESERVES IN 1944-1946
(position on 31 December, in pesetas)

	1944	1945	1946
Currency	Holdings	Holdings	Holdings
Dollar	269,258,720	188,758,181	21,435,437
Arg. peso	86,418,662	49,524,521	-149,491,019
Swiss franc	37,142,070	63,031,169	-45,338,571
Sterling	24,664,472	103,037,179	138,711,618
Escudo	13,845,727	38,051,108	16,507,986
Lira	6,509,658	-28,654,183	-38,834,703
Belgian franc	3,098,640	2,875,010	26,638,489
Swedish kroner	715,993	36,935,705	49,874,779
Dutch guilder	24,429	-57,398	4,480,495
Urug. peso	3,422	3,443	3,773
Norw. kroner	-50,126	1,571,019	-5,049,846
Chilean peso	-183,949	504,603	1,153,720
Danish kroner	-9,843,701	547,704	1,043,832
French franc ^f	-11,783,448	-169,431	-4,136,807
Reichsmarks	-41,658,617	-67,283	63,850
TOTAL	378,161,954	449,788,631	109,316,425
		TOTAL - Arg. peso	258,807,444

Source: AHBE, IEME, box no. 7: IEME's annual reports for 1944, 1945 and 1946. (f) Including Moroccan francs.

Spain's economic policy makers looked anxiously to the transforming world economy. In December 1945, the IEME Chairman, Blas Huete Carrasco, explained to his Minister and other top civil servants from the economic departments gathered at the IEME Council, the benefits to be derived if the Bretton Woods Agreements established currency convertibility.¹⁸¹ The dominant position of the dollar and the sterling (65 per cent of the country's foreign reserves) and because the dollar decrease was offset by an increase in most European currencies, particularly sterling, could explain this position. In January the Minister of Industry and Commerce set up a commission to study, from a specifically Spanish perspective, the Bretton Woods agreements.¹⁸² This would have been senseless

¹⁸¹. AHBE, IEME, box. no. 2: C/A, 11 December 1945. Blas Huete Carrasco was Chairman of the IEME from 9 September 1939 to 26 July 1949.

¹⁸². That is the International Monetary Fund and the International Bank for Reconstruction and Development (World Bank), whose conventions were approved at the United National Monetary and Financial Conference of Bretton Woods, New Hampshire, 1-22 July 1944. AHBE, IEME, box. no. 2: C/A, 15 January 1946. It included the General Directors of Political Economy, Trade and Currency under the presidency of the Under-Secretary of Commerce and Tariff Policy. A previous report on the IMF presented for consideration to the Council of the Bank of Spain on 6 July 1944, before the Bretton Woods Conference ended, was laudatory concerning the Bretton Woods system and considered it inevitable for all neutrals to join it, Servicio de Estudios del Banco de España: "Informe sobre el Fondo Monetario Anglo-Norteamericano", n/d, probably June 1944, cit. in Joaquín Muns: Historia de las relaciones entre

if Huete and Suances had not been convinced that the Spanish economy could strongly benefit from freer trade.

The Minister recognised that the scarcity of strong currencies and the recourse to bilateralism did not promote purchases based on relative qualities and prices, which was to the disadvantage of everyone involved. The IEME Chairman also explained that there was no fixed criterion to maintain invariable the value of the peseta. For its modification it was necessary, however, to consider the measures undertaken by other countries looking for the most opportune time.¹⁸³ As long as European sales stayed high there seemed no point in devaluing, for it would merely decrease the price of exports, put up the price of imports and possibly worsen the trade deficits. On the export side, the ability of the Spanish economy was likely to remain low due to output levels and that world demand had still not recovered pre-war levels concerning traditional agricultural exports, such as wine, fruits and vegetables. On the import side, any expansion was difficult given world levels of production and trade. The acute shortage of some products in Europe allowed export commodities to coexist with what it seemed an over-valued exchange rate and high prices.

The Ministry of Industry and the IEME had assumed an increase of reserves in 1945 and a somewhat large deficit in balance of payments in 1946, with an immediate fall in gold and foreign exchange reserves. Reparations, once some normality had returned to international trade, and various international payments due by the Spanish State were to be responsible. That import licenses were to follow closely the path of foreign currency reserves, was considered a transitory measure.¹⁸⁴ The real problem came in 1947 when the deficit in balance of payments, which was expected to diminish, increased with its direct negative effect on foreign currency reserves. By comparing table 2.7 with table 3.4 it comes clear that the post-war boom, had there ever been one at all, slowed its path during 1946 and died along the first half of 1947.

España y el Fondo Monetario Internacional, 1958-1982. Veinticinco años de economía española, Madrid [Alianza Editorial/Banco de España] 1986, p. 20.

¹⁸³. AHBE, IEME, box no. 2: C/A, 11 December 1945.

¹⁸⁴. Ibid., C/A, 28 March 1946.

At the domestic level of policy-making, it seems important to note that only once, in the documentation consulted for the period, economic discrimination is assumed to derive from the general political situation in which Franco Spain was placed. The case of economic discrimination supposedly referred to credits, but it was recognised as uncertain whether the case had also to be extended to Argentina and Portugal.¹⁸⁵ Curiously enough it is found in a document elaborated by the Director General of Economic Policy at the Ministry of Foreign Affairs in an attempt to implement the principle of "unity in foreign action" with a complete transfer of competence in foreign economic action to the Ministry of Foreign Affairs.¹⁸⁶ There are two important aspects to consider here. First, the image of a "foreign front" against Franco's political regime and by extension against "Spain" was a propaganda device to promote domestic support for General Franco. A diplomatic document showing policy recommendations for the post-war period argued:

"to obtain the maximum advantage from anglo-saxon pressure [...] to unleash in Spain an exaltation of the Caudillo as the Statesman who, despite the vicissitudes of the last ten years, has maintained Spain united, honourable and independent".¹⁸⁷

If one considers that the Ministry of Foreign Affairs, whether consciously or not, played the most active role in this action, it could be argued that this Ministry was the main one responsible for the survival of Franco regime. Political ostracism, first, and a Communist threat, later on, required a strong man in power and justified a transition from a 'crisis' government which was brought to power because of the Civil War and maintained its controls because of the world war. Franco and his ministers, in particular that of Foreign Affairs, had to demonstrate that the menace of 'foreign intervention' continued alive as a rationale to maintain military control of the country. A second aspect relates to the institutional implications that the more favourable position of the Spanish economy within Western European economic reconstruction had in the administrative struggle over control

¹⁸⁵. See the following chapter, section 3.3.2. for a more detailed account of the Spanish Administration's credit policy.

¹⁸⁶. MAE, Leg. 4618, Exp. 2: "Nota relativa a los problemas que se plantean en la Subsecretaría llamada de Comercio, Política Arancelaria y Moneda", Saint Sebastian, 29 July 1946. See chapter one, note one and pp. 38 ff.

¹⁸⁷. MAE, Leg. 3509, exp. 14, cit. in Viñas et al, op. cit, pp. 466-67. The set of perceptions and policy-directives described by Viñas et al., op. cit., pp. 456-63 reinforces this hypothesis about the Spanish Ministry of Foreign Affairs.

in foreign economic policy. The text of a conference presented at the Diplomatic School (Madrid) in April 1961 reveals the core of the question:

"The only possibility for Spain to break up the isolation that Allies and defeated nations had declared were bilateral trade agreements [...] Although nowadays they are considered useless, the origin of great inconveniences and ill-fated effects, in the period after 1945, they fulfilled an essential economic function, politico-economic and purely political."¹⁸⁸

The role that Spain played in European economic reconstruction, set against the background of an inefficient and frustrating diplomatic policy, made the Ministry of Foreign Affairs more conscious than ever before of the strategic importance of commercial relations that Spain maintained with Western Europe. This was a potential element in pressuring for the solution of political disputes of a bilateral character. Consequently, a tight control over foreign economic policy was necessary and, as it was shown in the previous chapter, pursued by diplomats.¹⁸⁹

2.5. Conclusions

The problem in the attempt to cast light on the implications of foreign action in domestic strategies for growth lies, thus, in making a clear distinction between the economic effects stemming from foreign political ostracism and the direct effect of domestic policies and given courses of action adopted by the Spanish Authorities. This chapter has basically foregone an analysis of the domestic performance of the Spanish economy in order to concentrate on the external elements conditioning the formation of the country's foreign economic policy. To confront the action described here with the poor domestic performance of the Spanish economy will be one of the tasks of the following chapter. The present chapter has strongly questioned the proposition that political ostracism had any real effect on Spain's economic performance. The following chapter will prove how domestic courses of action provide a better field of explanation for the state of post-civil war recovery.

¹⁸⁸. MAE, Leg. 6285, exp. 3: dated on 13 April 1961.

¹⁸⁹. See chapter one, pp. 28 ff.

This chapter has argued that Spain suffered mainly from *political* discrimination in international politics which was not followed up by *effective* economic discrimination. This was especially true at a period when Spain was a real source of supply for an extremely limited European productive capacity. The national reconstruction policies developed in post-war Western Europe aimed at continuous high levels of output and employment and high rates of growth, demanding an uninterrupted import trend. Furthermore, the population of Western Europe wanted a higher standard of living with better, and a more highly diversified supply of foodstuffs. Spanish supply made its contribution to a better use of tight dollar reserves, allowed to be transferred for capital goods, and raw materials and contributed to a diversification of diet. This role was not based on the potentiality of the Spanish economy but upon the short-term needs of relief. Therefore, the important point is not the low level of the Spanish exports and, thus, that Western European Governments did not need a large economic contribution from Spain to calm their thirst for democracy in Spain.¹⁹⁰ The point is that anything that could hampered national reconstruction policies was immediately rejected, in other words Spain's limited supply had an "strategic" value in the circumstances of the immediate post-war period. There is no reference whatsoever in the IEME records, for the period covered here, suggesting foreign economic discrimination.

The study on post-war commercial behaviour proves that politics and economics followed somewhat opposite directions. Where they were joined, great effort was taken to restore the first assessment. The common denominator for Great Britain and France was that despite their opposite courses of action, policy makers understood the distinction between political ostracism and economic sanctions. Reconstruction policies and political stability, on the one side, and the elimination of Germany, leaving a (perceived) large potential market to be filled up, on the other, helped to draw a clear line between both.

Spanish historiography has assumed that Franco did not have a foreign policy in

¹⁹⁰. As it was then perceived by Spaniards in exile, "The nations' conscience was bought with tons of oil, with tons of oranges.", Juan Hermanos: *La fin de l'espoir*, Paris, 1950, cit. in Gallo, op. cit., p. 201. Ahmad, op. cit., adopts this very similar position.

the strict sense but a form of management of technical agreements with the foreign world.¹⁹¹ Whether or not this assessment is accepted is of no interest here. However, this chapter shows how technical deals, until now underestimated as simple foreign "management", could reveal themselves of extraordinary importance for the Spanish Administration. Spanish experiences with Western Europe in the immediate post-war period provided the Administration with some tools to be skillfully used in later years. First, the limited, although effective, bargaining power provided by economics to further the nation's foreign policy goals. Second, the fact that political gains were to be obtained through technical deals. Obviously, the meaning of technical turned out to be quite broad for the Franco Administration. In the Spanish case, trade relations proved useful means for international recognition. The Ministry of Foreign Affairs, especially the economic divisions within it, were conscious that trade relations, at least, until the Spring of 1947, could be used to put some pressure upon Western European governments to avoid direct action against Franco's political system. Could trade produce spill-over effects or benefits for politics? The Marshall Plan would demonstrate that it could not.

This chapter provides the necessary background to understand in what circumstances the Spanish position towards the first form of European multilateral economic cooperation emerged. The official Spanish position towards the Marshall Plan was a reflection of this substantial ambiguity. The Spanish contribution to the immediate post-war European reconstruction efforts, limited as it might have been, provided the Spanish Administration with a distorted crystal through which look at future patterns of relations between Spain and its major Western European commercial partners. The future forms of reconstruction, no longer based on national policies, but in some sort of European economic cooperation were to become qualitatively different from this early phase and Spain would not have a place within them.

¹⁹¹. As Fernando Morán López, former Minister of Foreign Affairs in the first González Cabinet, argued in his prologue to José Mario Armero: La Política Exterior de Franco, Barcelona [Planeta] 1978.

Chapter 3:

RARA AVIS: SPAIN AND THE MARSHALL PLAN, 1947-1948

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"If there are eight hungry men on a desert island and a ship arrives bringing food for seven of them, imagine the sentiment of the eighth. Well, we in Spain happen to be that eighth man."

"[Spain] needs especially machinery and industrial equipment with payment facilities [that] Spain would not exchange for one atom of its independence and sovereignty."

"I do not believe in this European Federation [...] I do not believe that those who erred so much at Yalta, Potsdam and Teheran have the moral credit and authority to define what Europe needs in this hour."
Francisco Franco¹

¹. First quotation, Franco to The Daily Telegraph and Morning Press, 1 February 1949, cit. in Qasim Ahmad: Britain, Franco Spain, and the Cold War, 1945-1950, New York [Garland Publishing] 1992, p. 155. Second quotation, Franco's declaration on 27 June 1947, can be considered the first official Spanish reaction to the Marshall call; ASMAE, Amb. Paris, b. no. 413: "Spagna-Piano Marshall. Dichiarazioni ufficiali", Attached form A to "La Spagna e il piano Marshall", telespresso no. 0893/150 from the Italian Embassy in Spain, Madrid, 24 February 1948. This document (henceforth, referred to as "Dichiarazioni ufficiali") contains a complete compilation of Franco and Minister of Foreign Affairs Artajo's early press declarations on the matter. Last quotation, Franco's statement to La Prensa on 26 June 1948 in response to a question as to whether Spain would join in a united Europe, in Textos de doctrina política. Palabras y escritos de 1945 a 1950, Madrid, 1951, p. 263.

3.1. Introduction

The immediate origins of European multilateral economic cooperation have traditionally been placed in the speech of the US Secretary of State, General George C. Marshall, on 5 June 1947, for a coordinated programme for European economic as well as social and political reconstruction.² That Spain was excluded from the European Recovery Program (henceforth ERP), commonly-known as the Marshall Plan, given the origins and nature of Franco's regime, does not represent anything new, nor does the fact that it applied informally for Marshall Aid.³ It might be that Franco, personally, was ultimately responsible for Spain's exclusion because he stayed in power and maintained unaltered the undemocratic institutional character of his regime. This research rejects to limit the view on the relation of Spain to the Marshall Plan in these terms. The object of historical inquiry here is that although Spain did not participate in the Marshall Plan, the Spanish Government perceived it, had expectations of Marshall Aid and, finally, responded to its exclusion.

The Spanish Government perceived Marshall's offer from the perspective of its

². See Marshall's speech in A decade of American Foreign Policy. Basic Documents 1941-1949, New York [Arno Press] 1971, doc. no. 300.

³. It was believed in Spain that the autarchic ideology prevented the Franco regime from participating in the Marshall Plan, i.e. José Antonio Biescas, "Estructura y coyunturas económicas", in Biescas and Manuel Tuñón de Lara: España bajo la dictadura franquista (1939-1975), 2nd ed., Barcelona [Labor] 1985 [1980], pp. 19-164, p. 24. Ángel Viñas published the first evidence that the Spanish Government wanted to join the ERP, in Viñas et al., Política comercial exterior en España (1931-1975), Madrid [Banco Exterior de España] 1979, vol. I, pp. 475 ff., published subsequently as "El Plan Marshall rechazó a Franco", Historia 16, no. 64, August 1981, pp. 27-42, reprinted in his collection of articles: Guerra, dinero, dictadura. Ayuda fascista y autarquía en la España de Franco, Barcelona [Crítica] 1984, pp. 265-87. Paola Brundu Olla: a) Ostracismo e Realpolitik. Gli Alleati e la Spagna franchista negli anni del dopoguerra, Cagliari [C.E.L.T. Editrice] 1984, pp. 164 ff., and b) L'anello mancante. Il problema della Spagna franchista e l'organizzazione della difesa occidentale (1947-1950), Sassari [Università degli Studi di Sassari] 1990, pp. 31-51, reduces the substance of this chapter to mere diplomacy. The literature concerning the Marshall Plan observes exclusively that Spain had been excluded. The exception is Alan S. Milward who speculates what the opinion and stance of the Spanish Government might have been and whether was it ready to co-operate, Reconstruction of Western Europe 1945-51, London [Methuen] 1987, p. 69. The reader interested on specific literature on the Marshall Plan and American involvement in Western Europe after 1947 could trace it through references provided by the titles mentioned in this section. The most updated reading guide on the Marshall Plan is provided in Charles S. Maier and Günter Bischof (eds.): The Marshall Plan and Germany: West German development within the framework of the European Recovery Plan, New York [Berg] 1991.

own economic needs and financial resources. It expected to obtain the necessary assistance for economic modernisation. It finally responded to its rejection by offering bases in exchange for economic assistance and by stressing its trade dependence on Western European countries and the beneficial aspects of bilateral trade.⁴ After demonstrating the logic of Spain's exclusion, I will present the terms of the Spanish Government's request for economic aid and the limits of the then available financial resources. This section will serve as a watch-tower from which to observe previous and subsequent events. The chapter will end formulating an alternative course of action which could have been adopted regarding Spain. These are the points which render significant the question of Spain and the Marshall Plan. This chapter attempts to remove the case of Spain out of footnotes and tries to contribute to a better understanding of the origins of Western European cooperation by presenting the position, goals and response of the only country in Western Europe not invited to join.

3.2. The Origins of the Marshall Plan and Spain

Secretary of State Marshall did not explicitly exclude Spain. It is, however, likely that he intended to do so. The Spanish Administration believed then, as do many scholars today, that Marshall offered unconditional assistance to the whole of Europe, directed against no one country or doctrine but against hunger, poverty, despair and chaos.⁵ However, the previous attitude of the State Department precluded financial aid to Spain prior to the Franco regime adopting far-reaching political changes, which included General Franco leaving power. This attitude appeared necessary in the search for a new policy towards Western Europe which the State Department was looking for after President Truman's special address of 12 March.⁶ When the new policy was finally found in June,

⁴. This point will be developed in chapter five.

⁵. The Spanish Chargé d'Affaires in Washington explained to his Minister that Marshall's reference to "governments [...] which seek to perpetuate human misery in order to profit therefrom politically or otherwise" did not concern Spain but the Soviet Union, MAE, Leg. 2309, exp. 2: German Baráibar to the Minister of Foreign Affairs, "Discurso General Marshall sobre política exterior norteamericana", Washington, 10 June 1947.

⁶. See Truman's speech about Greece and Turkey, in A decade of American Foreign Policy, cit., doc. no. 295.

initially articulated in the most famous of Marshall's speeches, the exclusion of Spain was, in a way, a condition for its success.⁷

The State Department was at pains to figure out how it could by-pass the negative implications of what was shortly to become the Truman doctrine. Truman's speech was not identified as a call for an American crusade to restore democracy all over the world. Despite its anti-totalitarian wording, it was perceived as the official announcement of a break with the Soviets and as a statement against the expansion of Communist tyranny.⁸ The Franco regime provided the State Department with an initial chance to distance itself from the Truman doctrine. American assistance was not meant to be extended to anyone who claimed to be anti-Communist, as the Spanish Government had expected to do. The Spanish Council of Ministers' approval of the project of Law of Succession on 28 March attempted to present an image of a stable and democratic country, apart from being anti-Communist, which could find accommodation within the new strategy of containment against the Soviet Union. One could argue that the Law was the logical culmination of ideas vaguely but persistently expressed by Franco, but one cannot overlook the fact that the timing coincided with the new direction in American foreign policy.⁹

⁷. Whether or not the offer of assistance to the whole of Europe was sincere is open to debate, though it is usually explored only in connection with the possible participation of the Soviet Union. Charles P. Kindleberger, Chief of the Division of German and Austrian Economic Affairs at the Department of State, who participated in various interdepartmental committees on the Marshall Plan, makes the strongest pledge for the sincerity of the offer, Marshall Plan Days, London [Allen & Unwin] 1987, p. 92.

⁸. Kindleberger recalls the "negative, retaliatory, counter-punching features" of the Truman Doctrine; *op. cit.*, pp. 25-32. In this connection see also the reactions of Marshall, former Secretary of State James Byrnes (1945-47) and George F. Kennan who was about to be named head of the State Department's Policy Planning Staff (henceforth, PPS), in Richard M. Freeland: The Truman Doctrine and the Origins of McCarthyism, New York [New York University Press] 1985, p. 100. More details about the PPS and its role in modifying American policy towards Spain, in *supra* pp. 229 ff. For further information on the Truman Doctrine see John Lewis Gaddis: Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy, Oxford [Oxford University Press] 1982, pp. 22-23 and 58-59.

⁹. Javier Tusell: Franco y los católicos. La política interior española entre 1945 y 1957, Madrid [Alianza] 1984, pp. 155-59, shows the efforts made to push Franco to ward the Monarchical solution and the surprise of those who intervened in drafting the Law when it was unexpectedly passed. Spain was to become a monarchy without a king and Franco its head of State. The Law was approved by a referendum vote on 6 July and officially proclaimed a few days later. See Juan Pablo Fusi: Franco. Autoritarismo y poder personal, Madrid [El País] 1985, pp. 102-108, for the political domestic consequences of the Law; more details in Stanley G. Payne: The Franco Regime 1936-1975, Madison [University of Wisconsin Press] 1987, pp. 369-75.

Early in April 1947, Acting Secretary of State Dean Acheson, consulted the British upon a joint plan of action to eliminate Franco and replace his regime with a democratic one.¹⁰ Only Franco's departure would allow an extension of American assistance to Spain:

"As long as Franco remains in power [the USA] will continue to be blocked from providing the effective assistance which would make possible the economic reconstruction of that country and thereby build an effective barrier to civil strife and communist domination."¹¹

All interested Spaniards should know that "gains" would accrue to Spain from a change in regime. International public opinion should also come to know that America's National interest was not limited to the military aspects of the Truman Doctrine. The action promoted by the Department of State regarding Spain was thus an initiative necessary for broad ideological reasons. Acheson argued that without some form of approach to Franco,

"[he] might well be justified in continuing to believe his own propaganda to the effect that US-British opposition to his regime is nominal, and that, insofar as the United States is concerned, the recently announced policy of the President would indicate that we are prepared to shift our policy in regard to Franco and support any non-communist regime in Spain, including his own."¹²

This was not necessarily a message addressed to the British and the Spaniards exclusively, but to the entire international community.

Franco's declarations regarding the matter in Pensamiento político de Franco. Antología, Madrid [Ediciones del Movimiento] 1975, pp. 729 ff. The reaction of the British Chargé d'Affaires in Madrid, D.F. Howard, can be found in PRO, FO 371/67976: Despatch to Bevin, "Report on Law of Succession Referendum", Madrid, 12 June 1947; and that of the American Chargé, Phillip W. Bonsal, who served ad interim between March 1946 and June 1947, in FRUS, 1947, III, Bonsal to the Secretary of State, Madrid, 1 April, pp. 1065-66.

¹⁰. Acheson was probably instructed from Moscow by Marshall who was detained at the Council of Foreign Ministers for seven weeks until late April 1947. The debate on the question (kept bilaterally between Americans and the British) can be followed in FRUS, 1947, III, pp. 1066-88. Acheson, future Secretary of State (1949-53), personally disliked Franco. The former's memoirs, Present at the Creation: My Years in the State Department, London [Hamilton] 1970, provide no details on the subject, but the point has been confirmed to the author by Douglas Brinkley, biographer of Acheson (Brinkley's Dean Acheson: The Cold War Years is expected to appear in 1993).

¹¹. FRUS, 1947, III, Acheson to the Embassy in the United Kingdom, Washington, 7 April, p. 1066.

¹². Ibid., Acheson to the Embassy in the United Kingdom, Washington, 25 April, p. 1074.

It was not clear what the State Department meant by *gains*. Pre-June 5th published documentation shows, in common with the literature on the origins of the Marshall Plan, that there was no plan before the Harvard speech. It cannot be argued, therefore, that Acheson and Marshall intended Spain's exclusion from what was soon to become the Marshall Plan, simply because it did not yet exist. The State Department, however, had come progressively to the conclusion that a programme of aid to Europe, different from the relief programmes previously carried out, was becoming increasingly necessary for America's national interests and security.¹³ Neither the Spanish Administration nor other Spaniards had any perception of the set of ideas concerning the future aid to Europe that US officials were elaborating at the time. However, would Spaniards have regarded any American initiative, even if incompatible with the country's political structure, in terms of a missed opportunity?¹⁴ The question remains unanswered.

The Foreign Office stopped the State Department from taking any effective step towards a plan to eliminate Franco which had appeared to them unconvincing from the outset: "The matter was too dangerous to take up."¹⁵ The same arguments used against the French proposals since December 1945, served now to stop the State Department. The American proposal was based on the assumption that the economic situation of Spain was critical and that an alternative Government could be formed. Published records show, however, that the State Department was perfectly aware that the Spanish economy was not on the edge of collapse and that there was no stable alternative government in the wings. Major political forces in opposition to Franco had pursued different and conflicting

¹³. See *ibid.*, pp. 197-223, for the emerging new conception of aid to Europe.

¹⁴. "Much of the Generals, businessmen and Government officials would welcome economic aid from outside, I do not therefore think that in order to secure this they would think themselves compelled to adopt the course which on other grounds seemed to them undesirable or dangerous, while a warning or threat of sanctions might in my view well be more to exasperate than to intimidate them." PRO, FO 371/67867: British Chargé d'Affaires in Madrid Douglas F. Howard to FO, Madrid, 15 April 1947; a resumé of which is in *FRUS*, 1947, III, Ambassador in the United Kingdom to Marshall, London, 19 April, pp. 1071-72.

¹⁵. PRO, FO 371/67868: British Foreign Secretary Ernest Bevin to Orme Sargent, Permanent Under-Secretary of State for Foreign Affairs (1946-49), London, 25 April 1947, also quoted in *FRUS*, 1947, III, the Ambassador in the United Kingdom to the Secretary of State, London, 1 May, p. 1075. Hector McNeill, British Minister of State for Foreign Affairs, had proposed similar action to Bevin. For this latter point and the subsequent support of this line of action within the FO, see Ahmad, *op. cit.*, pp. 66 ff. and 172 ff.

individual strategies in the expectation that the Allies would unseat Franco and place them in power.¹⁶ This could further support my hypothesis that Acheson's initiative was a sort of propaganda device addressed to the international community. The British did not take it. No securer alternative to Francoism appeared feasible to the British. They saw no guarantee that the alternative to the fall of Franco would be necessarily an ordered democratic process but feared an anarchical situation tending towards Communism. Between Franco and democracy there seemed to be, the British argued, civil strife, chaos and misery.¹⁷

On the economic side, there was little reason to suppose that the Spanish economy was likely to collapse if economic sanctions were not applied. Marshall and Bevin agreed that the economic situation was improving.¹⁸ In 1946 there was a marked improvement in electricity output. If a slight drought at the end of that year had not occurred, production would probably have been close to the 6,000 million kw/h mark, a level which was in fact almost reached in 1947. Argentina's renewed credits to Spain granted in October 1946, increased the import supply of cereals and meat. Moreover, the 1946 harvest showed the highest output level since 1939 for all major crops, in particular cereals.¹⁹ A temporary improvement of food supply and of power shortages, due to a better harvest and the initial supply from Argentina and an increase of hydro-electric power, reduced the economic pressure for change.

There was no need to foster unstable politico-economic conditions in Spain. Any

¹⁶. The first attempt at coordinating the two major forces, Socialists and Monarchists, took place only in the autumn of 1947. It was concluded a year later, when the monarchical forces identified with the figure of the Pretender to the Spanish throne and Don Juan de Borbón y Battenberg himself, had already opted for collaboration with Franco.

¹⁷. This paragraph and the following one are based on documentation in FRUS, 1947, III, pp. 1066-85, and, PRO, FO 371/67897: Report by the Economic Intelligence Department at the Foreign Office, "Vulnerability to Import Embargo", 23 April 1947.

¹⁸. FRUS, 1947, III, the Ambassador in the United Kingdom to Marshall, London, 1 May, p. 1075, and Marshall to the Embassy in the United Kingdom, Washington, 15 May, p. 1078, respectively.

¹⁹. See Carlos Barciela: "El sector agrario desde 1936", in Albert Carreras Odraizola (ed.): Estadísticas históricas de España. Siglos XIX y XX, Madrid [Fundación Banco Exterior] 1989 (henceforth referred to as Estadísticas históricas), pp. 131-67, table 4.8, p. 145.

such action would have meant intervention in the internal affairs of another country which had not requested it, providing a precedent for similar intervention by the Soviet Union. It ran counter to previous Allied recommendations which left it to the Spaniards themselves to solve their political problems. It would have only strengthened the position of those who asked for more extreme forms of intervention at the United Nations Security Council. The Allies, the British firmly believed, should not risk finding themselves progressively forced down the path of intervention which might in the end have led to armed force. Moscow had already derived considerable benefit from the situation of *status quo* reached with Franco by placing the Western powers as defenders of fascism. However, an action as that proposed by Acheson would have involved, in British eyes, playing the Russians' game of spreading instability. For the British, since the Franco regime did not threaten any British vital interest, it was preferable to the risk of civil war in Spain.²⁰

It is difficult to believe that the State Department could have ever considered Spain joining the Marshall Plan when their initiative to remove Franco from power was being discussed with the British until the end of July 1947.²¹ The inclusion of Spain would have fed Soviet propaganda about America's intentions and distorted the plan's ideological support based on the highest ideals of Western civilization. By demanding mutual coordination of Europeans, Madrid was automatically excluded, since many participating countries could never have joined in a common effort with Franco, while Marshall avoided any responsibility. To trade openly with Spain was completely different from inviting Franco to join an initiative with the declared intention of building up European Unity.²²

²⁰. "Surely even temporary continuance of Franco in power (which so far as I know does not directly threaten any vital British or American interests) is a lesser evil than [growing ultra-violence and anarchy]." *Résumé*, cit., p. 1073.

²¹. On 26 July, Bevin conveyed the final rejection of the initiative put forward by the U.S. Department of State to overthrow Franco from power; PRO, FO 371/67869.

²². The State Department was interested in promoting a united Europe and in the preamble to the Economic Recovery Act of 1948 the US Congress virtually called for the formation of a political union in Europe. It does not imply, however, that logically the Marshall Plan initiated the process of political and economic integration in Western Europe, as Michael J. Hogan believes: The Marshall Plan: America, Britain, and the Reconstruction of Western

At the same time as the Russians, some Spanish top civil servants were unwilling to accept the proposed American conditions and recommended the Government not to join the common effort in order to preserve national sovereignty. The pre-conditions made explicit by Marshall seemed to imply the surrender of part of the Government's absolute rights to economic planning in deference to the United States or to a multilateral planning body which would set priorities and supply quotas and allocate resources. The aim of Spain was to make an inventory of its economic needs to avoid inquiry into its resources. This attitude departed from the deep conviction that the United States would help Spain in any case. Some officials at the Spanish Embassy in Paris feared that the British and French, agreeing before consulting anyone else on the fundamentals of the European response, would place Spain exclusively as a supplier to the French economy.²³ It is obvious that Spain's diplomatic personnel was not gifted with a keen perception of reality. It was not difficult to perceive that France had no place for Spain within any common European reconstruction plan!

The exclusion of Spain was not the consequence of the American commitment towards democracy, liberty and justice (whilst ensuring the restoration of the economic health and vigour of Europe). It was the result of the vast amount of emotion poured into discussion of Spain, making any move towards closer relations with the Franco regime unpalatable to public opinion. The Spanish regime did not present any of the circumstances which favoured other non-democratic governments to be invited to join.

Europe, 1947-1952, New York [Cambridge University Press] 1987. For a summary of the main conclusions of the book see Hogan: "Il piano Marshall: l'America fatta all'europea", Passato e Presente, vol. 9, no. 23, May-August 1990, pp. 26-33. An opposite position is maintained by Milward who argues that European economic cooperation stopped short of America's goal and was the result of European rather than American initiative and, at certain points, the result of a reaction to, rather than a consequence of, America's agenda for Europe. Milward's interpretation appeared firstly as "L'integrazione dell'Europa occidentale negli anni dell'ERP: l'esperienza del Gruppo di Studio Europeo per l'Unione Doganale", in Elena Aga Rossi [ed.]: Il Piano Marshall e l'Europa, Roma [Istituto della Enciclopedia Italiana] 1983, pp. 109-18; received a more intensive treatment in Reconstruction, op. cit.; and has been most recently recalled, within a "map of controversies", in his "Was the Marshall Plan Necessary?", Diplomatic History, vol. 13, no. 2, 1989, pp. 231-53.

²³. MAE, Leg. 2309, exp. 2: Antonio Mosquera Losada, Commercial Counsellor in Paris, to the Under-Secretary for Foreign Economy and Commerce, "Sobre la propuesta norteamericana de auxilio financiero para la reconstrucción europea", Paris, 18 June 1947.

Greece and Turkey could not be left outside if the Marshall Plan wanted to replace the multiplicity of piecemeal, *ad hoc* and emergency economic and military programmes with a comprehensive and consistent plan. There was some cogency in the argument that Portugal also belonged to the club of dictatorships and there was no question about the arbitrary and undemocratic character of the country's Government and political institutions.²⁴ Notwithstanding this, Portugal's experience was less turbulent and the origins of its dictatorship were somehow lost in the past, while the Spanish Civil War, with the intervention of Hitler and Mussolini, was fresh in the individuals' memory. Portugal, it was argued, behaved more neutrally than Spain during the Second World War and, in a way, Dr António de Oliveira Salazar, Portugal's Premier after 1932, had rejected -more prudently- the fascist, totalitarian and military covering which characterised the earlier years of the Franco regime. If the formal liberalisation of the political and parliamentary systems adopted since 1945 were perceived to have a greater appearance of democracy in Portugal than in Spain it was exclusively because the Allies preferred to see things that way. If the Portuguese authoritarian political system deserved different treatment by the Allies, it was certainly not for its contribution to constructing a new democratic Europe or for its commitment towards European unity.²⁵ The certain point was that after 1945, Salazar held an iron rule over Portugal as Franco did over Spain but that international public opinion had made the Franco regime a moral question. The continued existence of political passions amongst the peoples of Western Europe and elsewhere, precluded the use of a possible analogy between Franco and Salazar's regimes as a conclusively valid argument in favour of Spain. The question of easing the negotiations to secure for the United States permanent base rights in the Azores, might

²⁴. Tom Gallagher: Portugal: A Twentieth-Century Interpretation, Manchester [Manchester University Press] 1983. Tusell's La dictadura de Franco, Madrid [Alianza] 1988, pp. 272-305, contains an interesting comparative essay on the Iberian dictatorships. For opposition to Salazar and repression in Portugal see Dawn L. Raby: a) Fascism and Resistance in Portugal. Communists, liberals and military dissidents in the opposition to Salazar, 1941-74, Manchester [Manchester University Press] 1988; and, b) "Controlled. Limited and Manipulated Opposition under a Dictatorial Regime: Portugal, 1945-49", European History Quarterly, vol. 19, no. 1, 1989, pp. 63-84.

²⁵. For Salazar's perception of the Marshall Plan see José Galvet de Magalhães: "Salazar e a Unidade Europeia", in Hipólito de la Torre Gómez (ed.): Portugal, España y Europa. Cien años de desafío (1890-1990), Mérida [Universidad Nacional de Educación a Distancia] 1991, pp. 129-45, in particular pp. 133-34.

in part explain the paradox.²⁶ The exclusion of Spain added some guarantee of collaboration in Western Europe and diminished the opposition on Capitol Hill. The inclusion of Portugal could be diluted in a package of sixteen nations. To obtain the necessary support, the Marshall Plan demanded that Spain could find no place unless it amended its political structure to fit American requirements.

It was not necessary to make publicly explicit the possible implications of any Spanish participation in the joint venture. With the Franco-Spanish border closed and having denounced the Franco regime as a potential danger for international peace, France dared not to consider Spain's inclusion in any common initiative. Bidault's opening address to the Three Power conference of 27 June 1947 and the French proposal for Marshall Plan membership presented the following day, envisaged the participation of all European countries except ("provisionally") Spain.²⁷ After the Russians had abandoned the conference, the joint Anglo-French note of 3 July explicitly excluded Spain. An invitation was addressed the following day to all the European countries, except the Soviet Union and Spain, to send representatives to Paris where a European Conference for Economic Cooperation (ECEC) was convened for 12 July to determine the resources and the needs of Europe.²⁸

²⁶. In October 1943 the Portuguese government agreed to grant shipping facilities to Great Britain in the Azores for the duration of the war. In May 1944 the Roosevelt Administration signed an executive agreement with Salazar providing for military base facilities in the Azores and renegotiated it in 1946 for the duration of the period of the Allied occupation of Germany and Japan. Since July 1946 the transit facilities, initially conceived for short-term duration, were negotiated for transformation into long-term military bases. On the question of obtaining permanent base rights in the Azores see *FRUS*, 1947, III, pp. 1019-52. On the strategic importance of the Azores, see references provided by Nuno Severiano Teixeira: "From Neutrality to Alignment: Portugal in the Foundation of the Atlantic Pact", *EUI Working Paper HEC No. 91/9*, Florence, March 1991, pp. 9-10.

²⁷. Notwithstanding this expected French attitude, it seems that British and Americans agreed viewpoints on the issue of Spain not joining the conference; ASMAE, Amb. Parigi, b. 413: Telegram no. 10287 from Italian Embassy in London, "Spagna e Conferenza di Parigi", London, 30 July 1947. There is also reference to an Anglo-American entente on the question of the exclusion of Spain in *FRUS*, 1948, III, Memorandum by the Assistant Chief of the Division of Western European Affairs at the U.S. Department of State, Outerbridge Horsey, of conversation with the Second Secretary of the British Embassy in Washington, 16 February, p. 1026.

²⁸. Documentation in Ministère des Affaires Etrangères: Documents de la Conférence des Ministres des Affaires Etrangères de la France, du Royaume-Uni, de l'U.R.S.S. tenue à Paris du 27 au 3 Juillet 1947 et pièces relatives aux négociations diplomatiques engagées à la suite du discours prononcé par

The Spanish Republican Government, for its part, attempted unsuccessfully to gain more international backing from the ECEC. Bevin was asked to make the Conference end the ambiguity of the formula excluding Spain ("temporal exclusion") by expressing its desire to see Spain join the European economic organisation only after the return of a liberal democratic government. The British Government never officially acknowledged the request as "not representing the Spanish public opinion".²⁹ This move again demonstrates that the British Government was not going to favour any group opposing Franco. The maximum punishment the British were ready to accept was Spain's exclusion from the initiative. Further ostracism was unnecessary and dangerous.

3.3. Import Requirements for National Reconstruction and Modernisation

On the Spanish side, apart from the general diplomatic mobilisation which we will see in section 3.5, the first step at the domestic level was to determine the needs of the country's economy. In Summer 1947, reserves of foreign exchange, international credits and assistance to the Spanish economy were totally insufficient to finance the import programme needed to complete recovery from Civil-War damage and for the modernisation of the basic industrial plant. Marshall Aid appeared as the opportunity to overcome the structural deficit of reserves produced by a weak export sector and, at the same time, served to end the international isolation of the Franco regime. The position the Administration adopted towards the Marshall Plan was the direct reflection of the interaction between the needs of reconstruction and the country's financial resources.

The Ministry of Industry and Commerce, in 1947 (probably summer), drafted an

le Général Marshall Secrétaire d'Etat des Etats-Unis, le 5 Juin 1947, Paris [Imprimerie Nationale] 1947 (commonly known as French Yellow Book). Some unnamed officials at the American Embassy in Paris directly involved with the ERP publicly expressed criticisms about excluding Spain from the Conference; ASMAE, Amb. Parigi, b. 413: Telegram no. 602/454 from the Italian Ambassador in France, Piero Quaroni, Paris, 25 July 1947.

²⁹. ASMAE, Amb. Parigi, b. 413: Telegram no. 10287 from the Italian Embassy in London, "Spagna e Conferenza di Parigi", 30 July 1947.

estimate of imports necessary to complete national reconstruction.³⁰ It was to be presented in the eventuality of Spain joining the negotiations for European economic cooperation and used in subsequent diplomatic moves to gain ERP membership. Although the Import Programme did not mention this eventuality, this conclusion derives from the fact that its estimates served as economic content to the Memorandum drafted by the Spanish Ministry of Foreign Affairs, dated 15 November 1947, which exposed the official reasoning of the Spanish Administration about the Marshall Plan and intended to provide Spanish diplomatic personnel with the necessary arguments to promote Spain's ERP participation.³¹ A propaganda leaflet published and distributed by the Embassy in Washington was also based upon the estimates of the Import Programme.³² Notwithstanding this, the Spanish Government presented no official request for membership, certainly due to the fear of rejection. Portugal's Minister of Foreign Affairs, Caeiro de Mata, suggested proposing, at the first meeting of the Paris Conference, a debate on Spanish participation. He was advised to propose a vote if a previous count gave him some hope.³³ This was normal diplomatic practice. Most of the official requests this dissertation has dealt with followed intense unofficial negotiations to reach a previous agreement that the official request, to be issued shortly after, was to be accepted or at least officially considered.

Contrary to the short-term plans discussed in Paris, the Import Programme called

³⁰. MAE, Leg. 5281, exp. 13: Ministry of Industry and Commerce: "Cuadros resúmenes de las importaciones necesarias para la reconstrucción nacional (1ª y 2ª solución)", n/d, henceforth referred to as Import Programme, see table 3.1. This document contains many ambiguous points, some of which could be partially clarified by access to documents which, based on its calculations, were subsequently drafted by the Ministry of Foreign Affairs.

³¹. MAE, Leg. 2309, exp. 2, henceforth referred to as "Memorandum".

³². Ibid., "Spain Must Cooperate. How Spain can help the American taxpayer", n/d, n/s (henceforth referred to as "Spain Must Cooperate"), attached to Note from the Director General of Economic Policy to the Director General of Foreign Policy, Madrid, 2 December 1947. This document obtained much publicity at the time, i.e., Jaume Miravittles: Franco et le plan Marshall, Paris, [n/d, probably 1948], consulted at the French National Library, leaflet written contemporary to the events. Arthur Whitaker might refer to it when arguing that Madrid expected to be included in the ERP and established a figure of \$676 on the amount of aid to request, Spain and the Defence of the West: Ally and Liability, New York [Harper & Brothers] 1962, p. 34.

³³. MAE, Leg. 3159, exp. 26: Cifra no. 500, from Aguirre de Cárcer, Spain's Attaché in Paris, 6 July 1947.

TABLE 3.1

NECESSARY IMPORTS FOR SPAIN'S ECONOMIC RECONSTRUCTION (henceforth, Import Programme)

(a) Concept Industrial Settings for the production of	(b) Required Period to Complete the Industrial plans in (a)	(c) Planned Output Annual Targets (AT) or Increase of Existing Output (IO)	(d) Unit price of Required Imports in \$/t	(e) Total Value of Imports in \$ million	(f) Percentage of (e) in General Total	(g) Annual that (e) will produce in future imports in \$ millions	(h) (g)/(f) Ratio of Imports in Years
GENERAL TOTAL							
AGRICULTURAL PRODUCTION							
1. Nitrogen Fertilizers	5 years (4.7 years)	AT 100,000 T. of N, (=) AT 2,000 Units (=)	400	40 (=)	5.9 (8.9)	27 (=)	1.5 (=)
2. Tractors	4 years (=)	AT 100,000 T. of N, (=) AT 2,000 Units (=)	5,000	10 (=)	1.5 (2.2)	8 (=)	1.25 (=)
TOTAL AGRICULTURAL SECTOR							
	4.5 years (=)			50 (30)	7.4 (11.1)	35 (=)	1.43 (=)
BASIC PRODUCTIONS							
ENERGY							
3. Coal	4 years (=)	6 million T. (=) 3 million T. (=) 2 million T. (=)	1.5 3 50	9 (=)	1.3 (2)	6 (11)	1.5 (=)
3.1. Modernisation		10 AT AT 335,000 T. (235,000)	183 (4)	100 (=)	14.8 (22.2)	8 (=)	1.5 (=)
3.2. New Mines	5 years (=)	AT 1 million T. (500,000)	10.5	61.5 (30)	9.1 (8)	13.5 (9)	4.5 (3.8)
4. Electric Energy	6 years (=)	AT 1 million T. (500,000)	10.5	10.5 (=)	1.5 (1.2)	7.5 (5)	1.5 (1)
5. Petroleum Products	5.2 years (=)			190 (139.25)	28.1 (35.3)	-	-
6. Oil Refineries							
TOTAL ENERGY SECTOR							
	3.6 y. (=)			40.25 (30.25)	6 (6.7)	-	-
IRON AND STEEL							
7. Iron and Steel	3 years (=)	750,000 T. (=) 500,000 T. (=)	40	6 (=)	0.9 (1.3)	4.5 (=)	1.3 (=)
7.1. Modernisation	3 years (=)	10 AT AT 2,500 T. (=)	100	20.25 (=)	3 (=)	0.75 (=)	0.3 (=)
7.2. New Settings	3 years (=)	AT 10,000 T. (=)	650	6.5 (=)	1.1 (1.7)	9 (=)	0.75 (=)
8. Aluminum	4 years (=)	50,000 T. (=)	150	7.5 (=)	1.1 (1.7)	9 (=)	0.75 (=)
9. Synthetic fibre							
10. Cellulose							
TOTAL BASIC NON-ENERGY SECTOR							
	4.6 years (=)			230.25 (189.5)	34.1 (42)	46.25 (39.75)	5 (4.75)
RAILWAY TRANSPORT							
11. Track-Reconstruction	3 years (2 years)	Complete Network (**) (=)	-	45.09 (32.848)	6.7 (8)	11 (=)	-
12. New Rolling-Stock	2 years (=)	Complete Network (**) (=)	-	45.422 (32.311)	7.7 (8)	11 (=)	-
13. Rolling-Stock Reparatons	2 years (=)	Complete Network (**) (=)	-	47.6 (32.8)	0.2 (0.3)	11 (=)	-
14. Telephone Communications	3 years (=)	Complete Network (**) (=)	-	1.25 (0.525)	0.2 (0.3)	11 (=)	-
15. Signaling-posting	3 years (=)	Complete Network (**) (=)	-	8.8 (4.4)	1.3 (1.0)	11 (=)	-
16. Electrification	12 years (=)	Complete Network (**) (=)	-	45 (22.5)	6.7 (5.0)	11 (=)	-
TOTAL RAILWAY TRANSPORT SECTOR							
	5 yrs (3.5 years)			193.162 (96.581)	28.6 (21.4)	6 (=)	-
TRANSPORT OTHER THAN RAILWAYS							
17. Diesel Trucks Production	4 years (=)	AT 1,500 of 7/8 T. (=) AT 16,000 Units (=)	5,000	7.5 (=)	1.1 (1.7)	24 (=)	1.2 (=)
18. Passengers Cars	1 year (=)			24.8 (12.4)	3.7 (2.7)	6 (=)	-
19. Aircraft							
19.1. Spanish IBERIA							
19.1.1. New Airplanes		AT 5 Transatlantic (=) 50% of Existing Parking (**) (=)	-	11.2 (=)	1.7 (2.5)	5.5 (=)	2 (=)
19.1.2. Reparatons				5 (=)	0.7 (1.1)	2.5 (=)	2 (=)
19.2. Idem Other Companies				4 (=)	0.6 (0.9)	10 (=)	2 (=)
19.3. General Infrastructure	13 years (=)			20 (10)	3.6 (2.2)	10 (=)	2 (=)
20. Ship Equipment							
TOTAL TRANSPORT OTHER THAN RAILWAY							
	5.7 yrs. (=)			72.5 (50.1)	10.7 (11.1)	48 (31)	1.5 (1.6)
TOTAL TRANSPORT SECTOR							
	5.4 years (4.6 years)			265.662 (146.681)	39.3 (32.5)	6 (=)	-
MACHINERY AND TOOLS INDUSTRY							
21. Machine Tools	5 years (=)	25,000 T. (12,500) 4,000	4,000	100 (=)	14.8 (7.4)	9 (=)	4 (=)
22. Machine Tools	4 years (=)			10 (=)	1.5 (2.1)	9 (=)	-
23. Food-Processing Sector							
TOTAL MACH. & TOOLS SECTOR							
	4.7 years (=)			130 (65)	19.2 (14.4)	6 (=)	-
GENERAL TOTAL							
	5 years (4.7 years)			675.912 (451.181)	100 (100)	134.25 (108.25)	5 (4)

Source: MAE, Leg. R. 5281, exp. 13: Ministry of Industry and Commerce: "Cuadro resumido de las importaciones necesarias para la reconstrucción nacional (1945-1950)". (-) Data not given. (**) Negligible. (*) See explanation in text. (†) The entire programme was drafted with fixed prices at the period without considering the change in relative prices of imports and exports. (‡) Average unit cost of ton produced at major industrial complexes (\$255.3) and of fuel ton produced by distilling agricultural by-products. (¶) Freight not included. (||) Not computed due to complexity in calculation although assumed import indirect savings. (¶) Not considering indirect savings. Figures in bold correspond to the second draft. (-) No variation from the first draft. This document has never been published before. Vinas et al., op. cit., p. 478, footnote no. 42, made a quick reference to this document's second draft to show the existence of a \$400 million request to implement an "ambitious import-substitution plan".

for the foreign capital (expressed in dollars) necessary to finance a one-year package of imports. Although the plan we are about to study was a strict import programme, it reflects the framework of the government-financed reconstruction programme and the priorities assigned to the different economic sectors. It also shows clearly the lack of success of previous State initiatives in the basic sectors of the economy.

The total value of the imports required to complete reconstruction amounted to \$676 million.³⁴ Some comparative figures might help the reader to assess the Spanish request. It doubled the value of foreign currency expenditure (Spain's basic balance of payments) in 1946 and it was 68 per cent above what it was in 1947.³⁵ It was 2.3 times the value of total imports in 1946. In this line, it should be considered that the Import Programme was restricted to a few sectors and excluded, in particular, agricultural commodities which accounted, in 1946, for 23.3 per cent of total imports. The Import Programme's dollar request represented 5.4 times the accumulated commercial deficit registered in 1946 and 1947 and 3.2 times the value of the accumulated deficit during the ERP period, 1948 to 1952.³⁶ To generate \$676 million worth of resources, without foreign credits and allowing for some duplication with current imports, Spain's exports would have had to grow by 161 per cent.

³⁴. It seems reasonable to consider that if Spain had joined the negotiations, the Import Programme would have been cut by a fixed percentage on the total, as happened with each ERP country's aid request in the first weeks of September. A leading Spanish industrial bank, Bank Urquijo, estimated the special imports required up to 1952 to place the Spanish economy on a sound footing at over \$1,475 million, \$777 million of which corresponded to capital goods and raw materials for basic industries and \$438 million for foodstuffs and feeding stuffs, Informe presentado a la Junta general del Banco Urquijo celebrada el 16 de marzo de 1948, por el Presidente del Consejo, Excmo. Sr. Marqués de Urquijo, sobre el ejercicio del año 1947, Madrid, 1948, p. 72. Higinio Paris Eguilaz: Diez años de política económica en España 1939-1949, Madrid [Sucesores de J. Sánchez Ocaña] 1949, pp. 235-40, put the annual amount of minimal aid required for urgent investment for reconstruction in \$200 million. For the entire period covered by this chapter the peseta was officially exchange (for imports) at 10.95 Pts to 1\$.

³⁵. As given in Santiago Chamorro, Ramón Comendador, Juan José Dolado, Rafael Repullo and Julián Rodríguez: Las balanzas de pagos de España del periodo de autarquía, Madrid, 1976, p. 16; recently reproduced in Carreras: "Renta y riqueza", in Estadísticas históricas, pp. 533-88, table 13.26, p. 573.

³⁶. As given in gold-pesetas in Antonio Tena: "Comercio Exterior", in Estadísticas históricas, pp. 327-61, table 8.3, pp. 344-45.

The Programme's first draft was a shopping list of goods the Spanish Ministry of Industry and Commerce would have loved to purchase if it had had the resources. With the feeling that the amount of dollars required initially was too high, a second (and more economical) version of the same Import Programme was drafted. The second draft amounted to \$451.2 million. It included cuts worth \$224,731,000, 43 per cent of which were at the expense of the transport sector, 39 per cent of industries producing semi-manufactured goods and 18 per cent of basic production. All transport items were cut by half, as well as the production of cars, the supply of parts to the shipbuilding industry, the investment of the textile and food-processing industries, tools and machinery. Output targets for fuel and lubricants were reduced by 100,000 tons, and the iron and steel as well as the refining capacity were reduced by half. Consequently, this second draft can be considered the Ministry of Industry's true *minimal import requirements* for national reconstruction.

The Import Programme selected (by order of importance) transportation, energy, equipment and tools for the machinery and tools industry, agricultural machinery, fertilisers and iron and steel, as economic priorities. Public intervention in basic sectors was a common feature of the economic planning in the post-1945 period. Ad hoc committees to study means to increase output in these same economic sectors were set up in Paris, as French and British had agreed before the CEEC met. The CEEC's final general report of September 1947 proposed a general effort to increase output in agriculture, energy, iron and steel, transports and general modernisation of industrial equipment. The *Plan de Modernisation et d'équipement de la France*, the so-called Monnet Plan, established the investment objectives for re-equipping in four years (1947-1950) in six basic sectors (coal and steel, electricity, cement, agricultural machinery and transport), to increase production and rise productivity for the French economy.³⁷ When the European Cooperation Administration requested in July 1948 that the French plan coincided with the ERP period of implementation (up to June 1952) and the first plan was updated, petroleum, chemicals, synthetic fertilisers and textiles, and shipbuilding,

³⁷. The Commissariat's *Rapport général sur le Premier Plan de Modernisation et d'équipement, novembre 1946-janvier 1947* (AN, 80/AJ/14) is the basic planning document referred as the Monnet Plan.

were added as basic.³⁸

These economic sectors were considered "basic" (with the "highest repercussion" for the national economy, in the Import Programme's jargon), that is, able to act as multipliers for the entire national economy following vigorous public intervention. The selection criterion was thus, the importance of the industry's output to industrial rehabilitation. The production capacity of the country could not be fully exploited until certain bottlenecks were eliminated. Factories required power, the transport system had to permit the movement of goods and agriculture had to free some exchange resources to import raw materials and equipment.

The other criterion was to continue earlier public intervention and, thus, the Import Programme was an estimate of essential needs of the public sector. It was firmly believed that the aims of efficiency and the channelling of all available resources into productive work could only be effectively induced from the public sector. Those economic sectors where public firms existed -not necessarily in monopoly terms- provided (in principle) a better guarantee of control over imports and the implementation of planned targets. Most of the industrial plants mentioned in the Programme related to the State sector, RENFE, Iberia and in particular the National Institute of Industry (henceforth, INI). This is not surprising considering that the INI was designed for the industrial recovery of the country in priority sectors and that the INI's President was, in perfect symbiosis, the Minister of Industry, J.A. Suanzes.³⁹

³⁸. For specific literature on the Monnet Plan see Frances M.B. Lynch: "Resolving the Paradox of the Monnet Plan: National and International Planning in French Reconstruction", *The Economic History Review*, 2nd. s., vol. 37, no. 2, May 1984, pp. 229-43; Philippe Mioche Le Plan Monnet. Genèse et élaboration 1941-1947, Paris [Publications de la Sorbonne] Paris, 1987; and Bernard Cazes and Philippe Mioche: Modernisation ou Décadence, Aix-en-Provence [Publications de la Université de Provence] 1990. For a general approach to French planning see the classical work of Stephen S. Cohen: Modern Capitalist Planning: The French Model, Berkeley [University of California Press] 1969. For a first-hand account on the origins and conditions of the Plan see Jean Monnet: Mémoires, Paris [Fayard] 1976, pp. 275-311.

³⁹. Juan Antonio Suanzes Fernández (b. 1891), Naval engineer, Franco's friend from childhood, Minister of Industry and Commerce in Franco's first Cabinet (February 1938-August 1939); appointed President of INI in 1941, returned to Cabinet in August 1944 as Minister of Industry and Commerce. From August 1944 to July 1951 combined the charge of minister with the presidency of the Institute, continuing with the latter until 1963. Suanzes

The INI was the organisation set up in 1941 to expand total domestic industrial output through direct intervention. The INI's interest lay in those sectors where there was an overriding government interest (military or otherwise) and in those considered the most dynamic industrial sectors but which could not be tackled by private enterprise either because the capital required or risk element was too great. The INI really consisted of a conglomeration of companies, in some of which it held all the shares, while in others it had a majority, or even only a minority holding. A number of these companies, including the most important, were deliberate creations of INI, others were semi-state or private companies which the INI took over and tried to expand.⁴⁰

Action from the public sector also eased the technical problems involved in the

remained until about 1959 one of Franco's most trusted economic advisers and received the aristocratic title of Marquis of Suanzes for his contribution to the industrialisation of Spain.

⁴⁰. Pedro Schwartz and González: Una Historia del Instituto Nacional de Industria (1941-1976), Madrid [Tecnos] 1978, is the only work -very unsatisfactory- till now on the INI, to which the reader interested in further details concerning the INI firms which will be mentioned in this section, should refer to. Other useful references for the INI's history and action are Miguel Boyer: "La empresa pública en la estrategia industrial española: el INI", Información Comercial Española, no. 500, 1975, pp. 94-123; Rafael Myro: a) "La estrategia de la empresa pública concurrencial en España: un análisis de la actuación del Instituto Nacional de Industria", Investigaciones Económicas, no. 15, 1981, pp. 23-49, and b) "La empresa pública en la economía española (1940-1985)", Revista de Historia Económica, vol. 5, no. 2, 1987, pp. 371-79; and, Javier Braña and Mikel Buesa: "La intervención directa del Estado en la producción: Algunos aspectos de la actuación del INI en el periodo 1941-62", Presupuesto y Gasto Público, no. 10, 1981. The disastrous state of the INI's archives makes them completely unusable at this stage. A research team hired by the INI is slowly producing some results: Pablo Martín Aceña and Comín: a) "Una nota sobre los orígenes del Instituto Nacional de Industria", Economía Industrial, no. 22, 1988; b) "El Grupo INI en perspectiva histórica: una aproximación cuantitativa (1941-1986)", Papeles de Economía Española, no. 38, 1989; c) "La acción regional del Instituto Nacional de Industria, 1941-1976", in Nadal and Carreras (eds.): Pautas regionales de la industrialización española (siglos XIX y XX), Barcelona [Ariel] 1990, pp. 379-419; d) "Industrial Planning in Spain under the Franco regime (1940-1975)", in Erik Aerts and Milward (eds.): Economic Planning in the Post-1945 Period, Leuven [Leuven University Press] 1990, pp. 61-72; e) "El Instituto Nacional de Industria: Inversión industrial y especialización sectorial", in Martín and Comín (eds.): Empresa Pública e Industrialización en España, Madrid [Alianza Editorial] 1990, pp. 117-36; and f), finally, INI 50 años de industrialización en España, Madrid [Espasa Calpe] 1991. The latter is a major history of INI which reveals no new material or perspectives to the matter and serves, basically, to replace the previous piecemeal work (most of it produced by the same authors). Suanzes' account of the origins, aims and conditions of the INI in: a) The Spanish Commercial and Industrial Policy, Madrid, speech delivered in Cortes on 3 May 1950; b) "L'Institut National d'Industrie, pivot de l'industrialisation de l'Espagne", Synthèse, no. 199, December 1962, pp. 217-45; and, c) Ocho Discursos de Suanzes, Madrid [Centro de Estudios Económicos y Sociales del INI] 1963.

drafting. The Import Programme summed up, arithmetically, previous individual piece-meal plans in the different public sectors into a global whole. The Ministry of Industry argued that the Import Programme included exclusively those industrial projects at the final stage of construction. The Ministry explained that cases were frequent of industrial plants having completed capital formation, obtained the necessary quotas for raw materials, built housing, arranged transport and other auxiliary services -such as energy and water equipment-, but still requiring equipment to complete construction and the actual supply of raw materials to initiate production. This argument was far-fetched. Although work had been started on a number of ambitious schemes for industrial production, in many cases Government sponsored, only few schemes, as we will see, were nearing completion and some were scarcely beyond the drawing-board stage. The vast majority of requests were for investment plans which were considerably less advanced. It was expected, thus, that Marshall Aid rendered effective and adequate the State's previous efforts to obtain the development and modernisation of a small group of industrial sectors which could produce a feed-back effect bringing about general economic recovery and expansion.⁴¹

The Import Programme was complementary to the country's normal pattern of trade. Imports coming through bilateral channels would continue to help achieving the recovery of pre-civil war levels of output and, in particular, provide consumer goods and foodstuffs. The Import Programme concentrated resources where trade channels appeared

⁴¹. A "bottleneck" approach is common in the documentation consulted and in contemporary literature, i.e. the different reports drafted by the Bank Urquijo's Research Service: Informe(s) presentado(s) a la Junta general del Banco Urquijo celebrada el (9, 15, and 16) de marzo de (1946, 1947, and 1948), por el Presidente del Consejo, Excmo. Sr. Marqués de Urquijo, sobre el ejercicio del año (1945, 1946, and 1947), Madrid, 1946, 1947, and 1948, respectively. These reports influenced particularly the perception of the Spanish economy by the British Commercial Counsellor in Madrid, John Walker: Economic and Commercial Conditions in Spain. April, 1948, London [HMSO] 1949. Further references will be addressed to the latter, which is more accessible to the international research community than the former, to be consulted exclusively at the bank's library. The minutes of the Spanish Board for Foreign Trade (Junta Española para el Comercio Exterior -JECOEX-, partially reproduced in MAE, Leg. 2185, exp. 9 and 10 for 1948 and 1949, respectively) and of the executive bodies of the Spanish Foreign Exchange Institute (henceforth, IEME) point at the country's import needs as major bottlenecks for reconstruction. The IEME's records constitute the main documentary source of this section because they show how internal and external circumstances appeared to the economic policy-makers of that day (see Archivalia for more details).

insufficient to finance ambitious plans, most particularly concerning the immediate short-term goal of breaking bottlenecks. The term *reconstruction* which qualified the Import Programme meant, for the Ministry of Industry and Commerce, structural modernisation and regeneration of the country's economy, based on decisive action from the public sector. The Ministry was conscious that removing specific obstacles which impeded the full utilisation of the then existing capacity was not enough and that new industrial capacity was necessary. The Americans had clearly argued that long-term investment and expansion could not take precedence over immediate rehabilitation of existing productive capacities. Most Western Europeans, including Spain, disregarded it. Power installations, oil refineries, railroad equipment and steel plants attempted everywhere to expand industrial capacity beyond short-term needs.

This significant list of economic requests that the Import Programme represents could be considered a mirror-image of the country's economic situation and a useful instrument to study the results of Spanish economic policy during the period.⁴² Within the country's economic situation, the entire energy sector commanded the highest attention

⁴². The late 1940s have received little specific attention from scholars. For general economic accounts see the following: Antoni Montserrat and Jacint Ros Hombravella: "Entorn del retard en el recobriment dels nivells macroeconòmics de pre-guerra a l'Espanya dels 1950", *Recerques*, 1972, no. 2, pp. 231-46; Josep Fontana and Jordi Nadal: "Spain 1914-1970", in Carlo M. Cipolla (ed.): *The Fontana Economic History of Europe. Contemporary Economies. Part Two*, vol. 6.2., London [Collins/Fontana Books] 1975, pp. 460-529; Juergen B. Donges: a) "From an Autarchic towards a Cautiously Outward-Looking Industrialization Policy: The Case of Spain", *Weltwirtschaftliches Archiv*, vol. 107, 1971, pp. 33-72, and b): *La industrialización en España. Políticas, logros, perspectivas*, Barcelona [Oikos-Tau] 1976, chapter 3; Manuel-Jesús González-González: "La historia económica de España en el período 1939-1959. Una interpretación", *Moneda y Crédito. Revista de Economía*, no. 143, December 1977, pp. 3-106, re-elaborated as chapter two of his *La economía política del franquismo (1940-1970). Dirigismo, mercado y planificación*, Madrid [Tecnos] 1979; Joan Clavera et al., *Capitalismo español: de la autarquía a la estabilización (1939-1959)*, Madrid [Edicusa] 2nd ed., February 1978; Viñas et al., op. cit., chapter 4; Ramón Tamames: *La República. La Era de Franco*, Madrid [Alianza/Alfaguara] 10th ed. 1983 [1973], in particular pp. 408-17. For an overall view of the political economy of Spain during the period 1939-1959, in English, see Joseph Harrison: *The Spanish Economy in the Twentieth Century*, London [Croom Helm] 1985, pp. 120-43, and Payne's *The Franco Regime*, cit., pp. 384 ff. A most recent (and challenging) publication on the period is Jordi Catalán: "Los años cuarenta en la periferia de Europa: la economía española en perspectiva comparada", in José Luis Casas (ed.): *La postguerra española y la Segunda Guerra Mundial*, Córdoba [Diputación Provincial] 1990, pp. 59-96; somehow continuation of his "Autarquía y desarrollo de la industria de fábrica durante la segunda guerra mundial. Un enfoque comparativo", in José Luis García Delgado (ed.): *El primer franquismo. España durante la segunda guerra mundial*, Madrid [Siglo XXI] 1989, pp. 35-88.

of the Import Programme's draftees (headings no. 3 to 6). Primary energy supply was basic to industrial development. Top priority thus went to expanding production of coal, electricity and oil. In both drafts, they were allocated an average of 32 per cent of total planned investment. Since the energy sector was the State's priority immediately after 1939, with little practical results, it is not surprising it received much attention. Fuel and power shortage characterised post-World War II economic life in Spain. The country had no refining capacity and there were periodical petrol shortages. The disappearance of the bulk of rich British coal could not be compensated by an increased use of poorer indigenous substitutes. Demand for electricity could not be met. Low electricity prices stimulated industrial demand for electricity while depressing private investment. This was the main result of subjecting electricity to "political prices".⁴³ Furthermore, being primarily dependent on hydro-electric power, an occasional drought, as in 1944-45, could temporarily cripple the Spanish economy.⁴⁴ Despite the lack of significant increases in capacity, a marked increase in output nevertheless took place. This rise in output, however, meant that the existing plant was over-worked and required replacement, making the supply of equipment the sector's main problem.⁴⁵

⁴³. A defence of this consideration to be found in Enrique Fuentes Quintana and Juan Plaza Prieto: "Perspectivas de la economía española (1940-1953)", Revista de Economía Política, vol. 4, no. 1-2, May-September 1952, pp. 1-117, pp. 47-48. The policy aimed at maintaining an equilibrium between prices and salaries at the 1936 level; Jordi Maluquer de Motes: "Precios, salarios y beneficios. La distribución funcional de la renta", in Estadísticas históricas, pp. 495-532, table 12.16, p. 521. The most appropriate study of the energy sector is Sudrià: a) "Un factor determinante: la energía", in Nadal et al. (eds.), op. cit., pp. 313-63; and b) "Les restrictions de la consommation d'électricité en Espagne pendant l'après-guerre 1944-1954", in Fabienne Cardot (ed.): 1880-1980 Un siècle d'électricité dans le monde. Actes du Premier colloque international d'histoire de l'électricité, organisé par l'Association pour l'histoire de l'électricité en France, Paris, 15-17 avril 1986, Paris [Presses Universitaires de France] 1987, pp. 425-35.

⁴⁴.

ELECTRICITY OUTPUT, 1935-1947
(in millions of Kw/h)

1935	3,272	1945	4,173
1939	3,111	1946	5,411
1944	4,720	1947	5,970

Source: Carreras: "La industria", in Estadísticas históricas, pp. 169-247, table 5.15, p. 196. Sudrià, op. cit., p. 333, has calculated that the electric supply remained some 33 per cent below demand in 1945.

⁴⁵. José Luis Redonet: "Inventario de las posibilidades eléctricas nacionales", Revista de Ciencia Aplicada, no. 11, November-December 1949, pp. 401-12; José Jiménez Mellado: "El mercado de la industria eléctrica española", De Economía, no. 31-32, pp. 794-808; Ministerio de Industria y Comercio, Dirección General de Industria: La industria de la electricidad en España. Su desarrollo y las perspectivas del plan en ejecución, Madrid,

The Import Programme aimed at increasing capacity and output. Previous INI and private programmes aimed at bringing plants into service by 1953 to increase total capacity by 800,000 Kw. The 1944-1945 crisis gave an added impetus to many schemes to step up the output of electricity. The various private companies producing electricity, mainly grouped, since 1944, in <<Unidad Eléctrica S.A.>>, aimed to bring into service an increase of capacity of 200,000 Kw. For its part, the INI hoped, by 1953, to put into service power plants with a total capacity of 400,000 Kw, most of it by the <<Empresa Nacional Hidroeléctrica de Ribagorzana>>, set up in December 1946. The INI's firm <<Empresa Nacional de Electricidad, S.A.>>, set up in 1944, implemented some long-term plans for a further increase of 200,000 Kw.⁴⁶ It was to create power stations consuming low grade coal produced at the INI's industrial complexes unsuitable for other purposes. The INI considered that its own demands for electricity would not be attained without a parallel increase in electricity output by the same INI plants. The construction programme increased Spain's total electricity capacity, which had been 1.9 million Kw in 1939, by 454,200 Kw at the end of 1947.⁴⁷

The Ministry of Industry's new targets were for a new potential capacity of 2 million Kw with a production of 7,000 million Kw/h, hydroelectric and thermic (heading no. 4). A doubling of the country's electricity capacity and an increased output of 217 per cent could be possible only through the sector's modernisation. The Ministry requested imports up to a value of \$100 million, or 14.8 per cent of the total investment programme. It was the highest single heading of the whole programme. There had been an equal amount for imports of machinery and tools, but it was cut by one-half in the second draft. Since the reduced draft had not modified the amount corresponding to energy, its share of the overall rose to 22.2 per cent. Overcoming the electricity supply problem was therefore priority number one.

Imports of \$100 million constituted a sum which the Spanish authorities had all

May 1952; and José Castañeda and Redonet: "Incidencia de las restricciones eléctricas sobre la economía nacional", in Juan Valarde Fuertes (ed.): Lecturas de economía española, Madrid [Gredos] 1969, pp. 397-421.

⁴⁶. Walker, op. cit., p. 45.

⁴⁷. Anuario Estadístico de España. Año 1948 (henceforth AEE), p. 597.

the difficulty in providing, in view of their heavy foreign exchange commitments for scarce foodstuffs and basic raw materials. The largest orders for heavy electrical equipment in 1945 and 1946 went to Switzerland and the United States. When drafting the Import Programme, exchange difficulties had almost completely stopped imports from both hard currency countries (see section 3.2). The closing of the border with France prevented any diversion of part of the demand to the French electrical industry, while British exports of electrical goods, which had expanded 9.3 fold in 1946 over 1945, could not meet the Spanish demand during 1947, largely because of the immense power generation re-equipment programme under way in the United Kingdom.⁴⁸ Marshall Aid was thus expected to provide the possibility to overcome the shortage of raw materials and to increase the capacity of local electrical engineering industry.

The British commercial counsellor in Madrid believed that the Spanish industry's productive capacity was technically adequate to produce most of the necessary items, if sufficient supply of some equipment and raw material was granted: copper and magnetic plate and to a lesser extent steel and cotton, the lack of which had seriously hampered production since 1945; heavy electrical equipment (especially alternators up to 10,000 kva, cables, electric meters, insulators for more than 60,000 volts, small type of fractional h.p. motors, transformers, steam turbines and heavy hydraulic equipment) by-passing world-wide delivery delays and Spain's shortage of foreign exchange.⁴⁹

Petroleum products were the second major category within the energy sector (heading no. 5). As in the previous case, the sector inherited earlier ineffective public action. In May 1944, the Cortes approved a national plan to obtain petroleum products, including motor spirit and lubricants, with a total budget of \$183.6 millions. The INI was charged to carry it out through its largest subsidiary enterprise, <<Empresa Nacional Calvo Sotelo de combustibles líquidos y lubricantes>>, created in January 1942. The

⁴⁸. British exports of electrical machinery, apparatus and goods dropped from £1.4 to £0.5 million from 1946 to 1947. In Spring of 1947 the French Embassy informed that the offer of Ff 1,000 million for electrical supply, suspended in February 1946 (see chapter two, p. 115), was still valid since contracts could not be signed, AD, Z/E vol. 95: Despatch no. 234 from R. de Bercegal, Interim Chargé at the French Delegation to Quai d'Orsay, "Électrification des chemins de fer espagnols", 11 March 1947.

⁴⁹. Walker, op. cit., pp. 46-47.

1944 Plan included the setting up of three integrated industrial complexes and an oil refinery.⁵⁰

The three integrated industrial complexes defined in the 1944 Oil Plan and in the Import Programme were Puertollano (in Ciudad Real), Escatrón (on the Ebro river, near Sagarossa), and Puentes de García Rodríguez (in La Coruña). The oil refinery was at Escombreras (Cartagena). Puertollano's industrial plant aimed to obtain petroleum products from distillation of bituminous shales, to produce nitrogenous fertilisers and to construct coal fired power stations. Estimates were of an annual output of 132,000 tons of petroleum products to be obtained from the distillation of 1,200,000 tons of shales. The industrial complex in Ebro included plants for lignite mining and their industrial treatment to obtain petroleum products (annual planned output of 100,000 tons), production plants for nitrogenous fertilisers and coal fired power stations. Puentes included another coal fired power station, installations for lignite distillation and fertilisers production and other mining installations. Lignite mining was to produce annually 450,000 tons, treating part of which would produce an annual output of 15,000 tons of refined oil products. The 1944 Plan's target was an output production of 335,000 metric tons of petroleum products per year from the distillation of shale, lignite and agricultural by-products (in particular olive oil). The treatment of imported petroleum and primary petroleum products at Cartagena, whose oil refinery could not be completed until 1949/50, was to produce 450,000 tons more.

Having failed to achieve previous planning targets, the Ministry of Industry included the 1944 Oil Plan within the scope of the Import Programme. The three industrial complexes and the oil refinery of the 1944 Plan were to be the sole beneficiaries of the future American aid. The target was identical, production of 335,000 tons of petroleum products, although now it was considered to represent only 20 per cent of the country's requirements. The Import Programme's target was distributed as follows: Puertollano 120,000 tons, Escatrón 100,000 tons and Puentes de García Rodríguez 15,000 tons; distillation of agricultural by-products would represent additional 100,000 tons.

⁵⁰. "Plan para la fabricación nacional de combustibles líquidos, lubricantes e industrias conexas", Law of 26 May 1944, BOE of 27.

Concerning the oil refinery, recent previous experience favoured the doubling of the 1944 output target to an annual output of one million tons (heading no. 6).⁵¹ This sector shows, better than any other, that the Import Programme reflected the frustration of previous State intervention to improve the state of those sectors considered strategic for the entire national economy. It was impossible to end dependence on foreign supply of petroleum products but an expansion of domestic output was to act as a very important future exchange-saver.

American assistance would, in addition, alleviate the heavy burden which import of high-technology involved and accelerate its supply. In the circumstances of foreign exchange reserves, these kind of requests placed to foreign enterprises could only be financed at a very slow rate.⁵² American assistance was also designed to redress the technological dependence which the plan had originally on Germany, a permanent feature of Spain industrial development in the second half of the 1940s. Most of the new industrial plants were initiated in the early 1940s, depending originally upon German exports of machinery and technological support. After the war, with the elimination of Germany as the main capital supplier, great difficulty was experienced in obtaining technical aid and equipment from other countries, many of which were busy with their own projects. Some of the firms concerned contracted for the supply of machinery from Italy, Switzerland, Sweden, and the United Kingdom, but Spain's shortage of foreign exchange impeded these plants from approaching full production as planned.

The following three examples could illustrate how industrial development was retarded by the fact that many orders for equipment were placed in Germany during the World War years and hardly any was delivered. <<Sefanitro, S.A.>> was a firm created

⁵¹. Motor spirit, Diesel oil and lubricants, which had been strictly rationed throughout World War II and placed on free sale in August/September 1946, were rationed again in October 1947. The mechanism used then was to prohibit private motor cars from circulating on a varying number of days of the week according to their horse-power; Walker, *op. cit.*, p. 96.

⁵². For a complete list of requests placed abroad by Calvo Sotelo during 1944-1948 see INI: Resumen sobre finalidades y actuación hasta el 31 de diciembre de 1948, cit. in Schwartz and González, *op. cit.*, pp. 260-65. Calvo Sotelo received, during 1942 to 1947, only Ptas 405 million out of Ptas 1,993 million promised initially to finance the ambitious plan. For credits to Calvo Sotelo see INI: Memoria del ejercicio de 1948, cit. in Schwartz and González, *op. cit.*, p. 53.

in 1941 to produce nitrogen fertilisers which planned to initiate production in 1944 with excellent economic perspectives. Contracts with Germany were signed immediately but the supply never reached Spain. Only the partial substitution of Switzerland for Germany could complete the construction of the industrial plant which initiated production in 1951.⁵³ <<Fábrica Española de Fibras Artificiales S.A.>> set up in 1941 was handicapped by its original association with the Hamburg concern PHOENIX Ltd, which by the spring of 1948, as subsidiary of INI, was still unable to obtain the machinery and equipment ordered from Germany from some other source.⁵⁴ When in June 1942, the INI decided to install furnaces for steel production that could be use Spanish raw materials, low in iron-content, to reduce dependence on scrap and coke imports, Krupp engineering capacity was requested. After some interesting Spanish-German relations, the project had to be suspended in 1944.⁵⁵ The project could only be retaken in 1950 (see chapter six). In sum, exceptionally could Spanish engineers carried out any degree of scientific autarchy.

Coal production -as elsewhere in Europe- constituted probably the most crippling bottleneck in the whole Spanish economy. The inadequacy of domestic coal supply blocked any increase in iron and steel supplies and prevented any relief of the acute transport problem by seriously hampering the working of railways. Although Spanish coal production had increased considerably (output levels in 1940 and 1947 exceeded those of 1935 by 30 and 60 per cent, respectively) chronic shortages occurred, and each winter the delays in transport became especially serious.⁵⁶ The expansion of output was achieved by extracting lower grades of coal, bringing on steam unmined anthracite deposits and developing lignite deposits in the north. No real improvement could be expected without a further increase in domestic production and imports of high-grade coal.

⁵³. José María Lorenzo Espinosa: Dictadura y dividendo. El discreto negocio de la burguesía vasca (1937-1950), Bilbao [Universidad de Deusto] 1989, pp. 173-79.

⁵⁴. Walker, op. cit., p. 58.

⁵⁵. Martín and Comín, INI 50 años, cit., pp. 173-75.

⁵⁶. Coal production data in Sebastián Coll and Carles Sudrià: El Carbón en España, 1770-1961. Una historia económica, Madrid [Turner] 1987, p. 563.

The Import Programme aimed at the modernisation of existing mines with an estimated output of some 6 million tons (heading no. 3.1). The incorporation of mining machinery, which shortage of foreign exchange and difficulties in world supply had previously made impossible, would raise productivity (kg/day/ miner) by 10 per cent after three years. This could be considered to be a modest productivity increase. However, without the planned investment, the productivity in the coal sector dropped from 81.2 in 1947 (as compared to 1933=100) to 77.9 by 1952, while in most of the ERP countries it increased at the end of the ERP period.⁵⁷ New mines would further increase output in 3 million tons of coal, anthracite and lignite (heading no. 3.2). The Spanish authorities also considered imports of high quality coal. Before the war, Spain imported 1.7 million tons of coal and over one million tons of high grade coal a year, in particular from the United Kingdom. The decrease in world-trade after the World War, the low quantities of coal which the British authorities allowed for trading and Spain's currency problems, had reduced imports to a minimum. Total coal imports from 1940 to 1947 were less than the imports of 1935 alone and represented 1 per cent of the country's total consumption (against 20 per cent in 1935). The country's mines produced 10 million tons of hard coal against a requirement of 12 million tons for heavy industries and transport. The deficit to be covered by imports was 1,500,000 to 2,000,000 tons (formerly imported from the United Kingdom) plus 60,000 tons of coal tar.⁵⁸ In sum, Marshall Aid would have decisively helped to push up imports, to increase output and to raise the productivity level of the sector.

Contrary to the energy sector and, despite the fact that the shortage of iron and steel created a spiral of frustration throughout Spanish industry, the iron and steel industry was not a high priority for the Ministry of Industry and Commerce. Only 3.9 per cent of the Programme's imports were reserved for the sector and it was further reduced to 3.5 per cent in the second draft (heading no. 7). The priority given by the State to unblocking bottlenecks for industrial development meant that, in the years before 1951, domestic steel production was not perceived as a key element for the development of the other

⁵⁷. Ibid., p. 577.

⁵⁸. MAE, Leg. 2309, exp. 2: "Spain Must Cooperate".

industries. In fact, the INI's investment in the mining and steel industry was only 5.5 per cent of its total investments from 1942 to 1951, while it was 49.3 per cent in the energy sector.⁵⁹

Shortages of scrap, coking coal and iron ore prevented Spain's iron and steel industry from working at full capacity. In 1947, output of iron and steel ingots was 87 per cent and 79 per cent, respectively, of the 1940 levels of output, which were in turn already almost 30 per cent below the levels of 1929, the maximum historical level of output.⁶⁰ The scrap problem proved intractable to solve. The country's shortage of foreign exchange and world scarcity had pushed down scrap import figures to an almost insignificant level. The gradual exhaustion of the more easily worked high-grade ore deposits (hematite) in Vizcaya and coal shortages could not compensate for the shortage of scrap. A further diversion of Spanish Moroccan ores of high mineral content (Rif ores) to local industry would have reduced the country's capacity to earn foreign exchange, which was by far the most important problem facing the Spanish economy. Finally, although the iron and steel industry was receiving more coal than before the war, much of it was poor quality and demanded greater allocations for the same caloric content. Any increase in coal consumption required a decrease in the railways quota, since economies in consumption were not to be easily obtainable from other sources. In fact, the pattern of coal consumption shows that only the lowering of the railways' share allowed the iron and steel industry's coal consumption to be increased, at least until the mid-1950.⁶¹ There was no prospect of early relief while bottlenecks of all kinds remained and until a way to finance the large equipment purchases could be found.

A lower dependence on coal supply necessarily implied the modernisation of the existing productive capacity, which was hampered by the shortage of foreign exchange. A total amount of \$6 million was requested to modernise existing iron and steel mills with a total productive capacity of 750,000 tons (heading no. 7.1). The installation of electric

⁵⁹. United Nations, Economic Survey of Europe in 1953. Including a Study of Economic Development in Southern Europe, Department of Economic Affairs, Geneva, 1954, table 67, p. 143.

⁶⁰. Carreras: "La industria", in Estadísticas históricas, cit., p. 202.

⁶¹. Estadística general de consumo de carbones por las distintas industrias.

furnaces and a shift from the Siemens-Martin process (still producing 65 per cent of total steel output by 1947) to the Thomas process, together with larger supply of ferro-alloys (vanadium, molybdenum, phosphorous and nickel) would raise productivity by 6 per cent. Another investment of \$20 million was intended for the installation of new plants to increase annual output by 500,000 tons after three years. The only hope for developing production at low cost appeared to be establishing a new steel works in Asturias using low grade ores and the coal available close by and speeding up the electrification of the railway-network.⁶²

The state of transport, in particular the railways system, constituted a big handicap to the economic recovery of the country and to the programme of industrial expansion which the Government hoped to be able to carry out. In this sense, the Ministry of Industry and Commerce assigned a high priority to transport in both drafts, 36 per cent on average. Railways (RENFE) received the lion's share, 25 per cent (on average) of the total figure of imports and 70 per cent of the sector.⁶³ As previously, the Import Programme combined the more pressing features of earlier plans of investment.

On 25 January 1946, the Council of Ministers decided to modernise the railway network, to replace rolling stock and locomotives and to undertake the electrification and modernisation of the signalling of the whole network. A first Five-Year Plan (1946-50) for reconstruction and modernisation of RENFE and the General Plan of Railway Electrification covered the then urgent work applying to 4,500 kilometers of track with limited budgets of \$137 millions and \$27.5 millions, respectively.⁶⁴ The funds authorised

⁶². See chapter seven, pp. 462 ff. for the development of the production of iron and steel in Asturias.

⁶³. In 1941, all the railway companies of broad-gauge which could not cope with the reconstruction of their individual network after the Civil War, were rescued (expropriated in proper terminology) by the State and grouped together as one system under the Spanish Railways System (RENFE), which also operated some of the narrow lines. See the rescue scheme in Miguel Artola, Ramón Cordero, Diego Mateo and Fernando Menéndez: Los Ferrocarriles en España, 1844-1943. Vol. I El Estado y los Ferrocarriles, Madrid [Servicio de Estudios del Banco de España] 1978, pp. 442-45.

⁶⁴. Information about the different railways plans in RENFE: Los ferrocarriles en España 1848-1958, Madrid, 1958, and Carlos de Inza y Tudela: "Transportes", in Estudios sobre la unidad económica de Europa, vol. 7, Madrid [Sociedad Estudios Económicos Españoles y Europeos, S.A.] 1957, pp. 799-812.

under earlier plans had, in part, been swallowed by the mounting costs of labour and the rising price of both imported and local materials, notably coal and steel. In the first two post-world war years progress was slow in spite of RENFE's efforts, because of three major problems: inadequate supply of high-grade coal, insufficient rolling stock and the state of the track. These three elements could only be satisfactorily solved within a general programme of economic modernisation.

To overcome the most serious problems of the Spanish railways, the Import Programme initially planned an investment of \$193 million. Proof that the Ministry of Industry was not daydreaming in the drafting of the figures comes from the fact that this figure, reduced in the second draft to \$97 million, was far from RENFE's original request, which amounted to \$395.⁶⁵ The first draft envisaged \$45 million of railway equipment to assist the replacement and rehabilitation of the entire state-owned and operated track network, 12,775 kilometres of normal gauge (heading no. 11).⁶⁶ With a time limit of three years, this section of the programme was the logical implementation of the first five-year plan approved in 1946. The modernisation of the network deserved \$10 million. An up-to-date telecommunications system and adequate signalling equipment would be installed on the lines to be electrified and on the existing steam lines, over five or six years, respectively (headings nos. 14 & 15). The section concerning the electrification of the network maintained the period of implementation (twelve years) and the track affected (4,500 kilometres of normal gauge) announced in previous governmental planning (heading no. 16). Marshall Aid would have allowed the cost of the scheme to rise from \$27 to \$45 million, since State guarantee for RENFE bonds would have no longer been necessary.

The second major problem of the railway system, insufficient and inappropriate rolling stock, resulted in a planned investment of \$93 million, divided equally between

⁶⁵. MAE, Leg. 2185, exp. 9: "Nota sobre las necesidades de importación de la RENFE", n/s, Madrid, 11 April 1947.

⁶⁶. 638 kilometres of which were electrified. The project does not clarify whether it also considered the 4,782 kilometres of narrow gauge in the hands of private companies, 903 kilometres of which were electrified. Data for 1946, AEE. Normal gauge is considered the standard Spanish 1,672 metres gauge.

new rolling-stock and repairs of the existing capacity (headings no. 12 & 13). The initial planned investment was to allow domestic industry, after two years, to reach the following targets: twenty electric Diesel locomotives, two-hundred metallic passenger-carriages, twelve autorails and ten freight cars, one hundred ballast wagons for truck-reparation works and one hundred-thousand goods-wagons. The rolling-stock provisions show how the Programme was not aimed at completing civil war recovery but was an ambitious attempt at modernisation.

The construction of electric and Diesel locomotives had no relation whatsoever with the 1930s (see table 3.2). It was the logical consequence of modernisation. The electrification of a major sector of the network, the increase of electric locomotives and the plans to improve the supply of fuel, were the first signs of the official attempt to reduce dependency upon an inadequate local coal supply. Although the railways obtained 50 per cent more fuel than before the Civil War, this increase was largely counterbalanced by the low-calorific content of Spanish coal and the wastefulness of obsolescent and inefficient locomotives. A drought could divert part of the coal production to power stations, strongly limiting the coal quotas for railways. During the period of drought in 1944-45, the contraction of hydraulic power supplies diverted large quantities of coal to the coal-fired power stations leaving the railways with one week's stock.⁶⁷ Without the possibility of resuming large-scale imports of high-quality coal, in particular British coal which the railways had consumed before the Civil War, no real relief for the railways could be expected before the electrification of the system.

TABLE 3.2

BROAD GAUGE ROLLING STOCK

YEARS	1936	1939	1945	1946	1947	O.o.S.
Steam Locomotives	2,800	1,837	2,705	2,712	2,689	529
Electric Locomot.	-	-	78	80	79	30
Carriages	4,383	1,740	2,797**	2,719**	2,868**	539
Goods Wagons	69,222	41,700	72,526*	70,042*	71,085*	5,927

Source: AEI, p. 734. Situation as recorded on 31 December, except 1st April 1939. Units out of service (O.o.S.) recorded by the British Commercial Counsellor in Madrid, G. Clinton Pelham, Spain. Economic and Commercial Conditions in Spain, London [HMSO] 1952, p. 155. (**) Including autorails: 75 electric and 40 thermic ones in 1945, 69 electric and 43 thermic in 1946, and 74 electric and thermic in 1947. (*) Including freight cars: 1,851 in 1945, 1,830 in 1946, and 1,872 in 1947.

⁶⁷. Walker, *op. cit.*, p. 110.

Two hundred metal passenger carriages were certainly not designed to restore the 1936 figure of output. Post-1939 reparations and new constructions resulted in 1947, in a deficit of 1,515 passenger cars over 1936. Planned new cars would only alleviate the unpopular situation of overcrowded trains. In 1947 there were 51 million more passengers than in 1935 in 1,515 less carriages.⁶⁸ Foreign assistance was destined to expand those sectors considered top priority, which was not the case for passenger cars. Further recovery could be reached by repairing those units out of service by 1947. The Import Programme reserved a high amount of investment to accelerate repairs of the then existing rolling-stock (heading no. 13).⁶⁹ The only fundamental solution was the renewal and modernisation of a large part of the equipment in addition to an adequate level of normal maintenance and repair work. Marshall Aid would help Spain's exchange reserves to import the required material to proceed adequately with the normal renovation of the rolling-stock and its repairs overcoming chiefly the scarcity of key materials and the shortages of electric power and liquid fuels.

Marshall Aid was not aimed at returning to pre-war levels, but rather at modernising basic structures and creating a railway system which could serve the Ministry of Industry's industrialisation plans. The target of one hundred ballast wagons was in direct relation to the building of new lines, particularly destined to improve access to the coal mines in the north of Spain and to the laying of a double track on many lines. The figure of 100,000 units of goods wagons certainly did not attempt to restore the number of broad gauge goods wagons in service in 1936. The Spanish railways had made a rapid recovery from the losses of good wagons which they had suffered during the Civil War, repairs of which were given an absolute priority over passengers' carriages (see table 3.2). The spectacular increase the Government expected to emerge in local traffic of goods from the industrialisation schemes projected, explains the target set for goods wagons. It

⁶⁸. Figure for passengers in Antonio Gómez Mendoza: "Transporte y comunicaciones", in *Estadísticas históricas*, pp. 269-325, table 7.3., p. 289; for passenger cars see table 3.2. The return to an intensive use of coal and railways by the Spaniards is perceived by Carreras as a historical step backwards, as a return to the 1st industrial revolution, "Una generación entre paréntesis, 1936-1953", in Ministerio de Industria y Energía: *España 200 años de tecnología*, Madrid, 1988, pp. 149-60.

⁶⁹. Most of it was over-run, with the consequence that reparations constantly increased from 1944 to 1947; *AEE*, p. 736.

is really significant that the forecast figure could not be reached in Spain until 1974! The size of the task compared to the limited resources, allowed slow progress bequeathing the miserable state of the sector to future generations. Marshall Aid, the Spanish Ministry of Industry had expected, would have helped it solve the most important deficiencies of the railroad system. It would have ended the unremitting efforts to expedite its rehabilitation and modernisation.

Road, air and sea were the transport means considered other than railways. Road transport was limited to Diesel trucks and private cars production (headings 17 & 18). The poor conditions of the road system received no attention. When drafting the Import Programme the roads suitable for motor transport were, by and large, the same as in 1935, although in worse condition due to shortage of bitumen, again the result of foreign exchange difficulties. The priority went to increase the number of vehicles in circulation and their poor condition.⁷⁰ Supplies valued \$24.8 million would allow the Spanish industrial capacity to produce (after five years and one-time shortages of petrol, tyres and other parts, had been overcome) an annual output target of 16,000 cars. Diesel trucks were to be built, after four years, at an annual rate of 1,500 units with an initial investment of \$7.5 million. The annual savings which the planned targets would produce in the future were estimated at \$30 million, second only to agriculture.

Promotion of local manufacture of vehicles was not expected to result in immediate import savings but to reduce a heavy burden on the balance of payments in the future. Few cars and lorries could be imported during the nine years following the outbreak of the Civil War. In 1946 only 1,400 vehicles were imported as compared with the 22,000 units imported in 1935. The 1,300 units (mostly passenger vehicles) imported in the first six months of 1947 from the United States entered the country without foreign

⁷⁰. Including tractors, the number of plates issued on average between 1945 and 1947 was 5,972 units, while it had been 18,600 units between 1930 and 1935. With losses running well ahead of replacements, the total number of vehicles fell from approximately 180,000 before the Civil War to 150,000 by the end of 1947 (68,000 passenger cars and 42,000 lorries). The average age of the vehicles still in use was probably high and their general condition and reliability was therefore low: 90,000 cars in circulation in 1947 were registered before 1936. See AEE, p. 738, and Gómez Mendoza: "Transportes y comunicaciones", op. cit., p. 306. Another INI company, <<Empresa Nacional de Autocamiones>>, was to produce motor lorries and tractors.

currency expenditure. It was the main result of an administrative measure adopted on 30 August 1946 allowing the grant of import licenses without the provision of any foreign exchange by the Spanish authorities (the so-called "sin divisas" licenses). Their purpose was to mobilise any foreign exchange held by Spaniards living either in Spain or abroad. The great bulk of licences granted "sin divisas" was for the import of motor vehicles; other goods authorised for imports in this way were essential products such as foodstuffs, raw materials and certain types of machinery.⁷¹ Moreover, the protection of local manufacture, after its incipient development during the war years, and the country's shortage of foreign exchange, resulted in a marked restriction of imports of motor spares and accessories. Imports related to the automobile sector fell from a pre-war figure of 1,500 tons a year to a post-war figure of 100 tons. Distributors were no longer allowed to import a full range of spares with the vehicles they brought into the country except where they could not be produced locally in any quantities.

The Ministry of Industry faced a situation where imports of motor vehicles, ranked as a comparative luxury, were clearly inadequate compared to requirements. The Import Programme revealed the Ministry's intention to cover a minimal percentage of what it was supposed amounted to the actual demand, if the basic car population had been kept reasonably efficient and sufficient foreign exchange made available. Difficult to estimate precisely, the Ministry of Industry placed the initial annual production target at 16,000 passenger cars, which was the number of cars imported in 1935.

The Import Programme also wanted to improve air transport. It aimed at renewing 50 per cent of the existing non-transatlantic capacity, obtaining one year of repairs parts, and purchasing five transatlantic aircraft. The heavier types of long-range aircraft were capable of earning foreign exchange in voyages to Central and South America and were expected to show a return of the initial investment in two years. An investment of \$11.2 million (heading no. 19) went to the Spanish State airlines, <<Iberia Líneas Aéreas>>, founded in 1943, which held the monopoly of Spanish regular civil air lines. A further

⁷¹. "Post-war Import Licensing Policy in Spain", The Board of Trade Journal, 28 August 1948, pp. 411-12, p. 412. Licences of this type were freely granted during 1947, their issue being suspended at the beginning of 1948.

investment of \$5 million went to private companies and \$4 million for airport equipment, airfield construction, radar, radio, and other items of modern communication equipment. Imports in 1945 and 1946 of aircraft and air transport accessories consisted almost entirely of United States passenger aircraft and aircraft parts available to Iberia. In 1947, Spain's dollar shortage had diverted most of the licenses to the United Kingdom, mainly for freight planes or small touring aircraft required by newly formed charter companies. Difficulties in obtaining aircraft and aviation spare parts, hampered IBERIA's development. The then existing ban on the sale of military aircraft and equipment of any kind to the Spanish Air Force also affected non-military production.⁷² The Import Programme wanted to restore the United States as main supplier and the State company as the leading air company.

Finally, the transport sector involved ship equipment for the merchant fleet. Production of ships in Spanish yards had been exceedingly low since the war years. Since 1942 the State had decided to build ships itself (Laws of 7 and 11 May 1942 for the development of the Spanish merchant and war fleets). Complaining about high shipbuilding prices and uncertain dates of delivery, some orders were placed by the para-state organisation <<Empresa Nacional Elcano>>, a subsidiary of the INI, with yards at Seville and Barcelona. While the official aspirations of the Spanish shipping authorities were to possess a Merchant Fleet of at least 1,500,000 tons gross, on the 31st December 1946 the Spanish Merchant Fleet consisted of 1,193 vessels and of 1,099,807 tons register (excluding ships of under 100 tons), while on the outbreak of the Civil War it consisted of 955 ships of 1,177,357 tons gross register.⁷³ Efforts to increase output from Spanish shipyards had little result, the difficulty in the supply of raw and auxiliary materials being apparently insurmountable. There was a great scarcity of every kind of ship-building material, whilst the situation regarding auxiliaries -pumps, winches and electrical equipment- was particularly difficult. Some of these items could not be produced locally

⁷². The United States Government's ban on the sale of military equipment of any kind to Spain was approved in early January 1946 and affected also Austria, Switzerland and Germany; *FRUS*, 1946, I, Report by the Subcommittee on Rearmament to the State-War-Navy Coordinating Committee, Washington, 21 March, p. 1150; and Memorandum by the Central Secretariat of the Policy Committee on Arms and Armaments, Washington, 7 June, p. 841.

⁷³. Fuentes and Plaza, *art. cit.*, p. 72.

and Spain lacked foreign exchange for acquiring them abroad, whilst supply difficulties abroad also impeded acquisitions even when exchange was available. An import-package of \$20 million was requested in order to reduce the construction-term of the State plans for an expansion of shipbuilding capacity, which was imposed, as everywhere in Western Europe, due to the shortage of foreign exchange and the high dollar cost of using American ships.⁷⁴

The INI also controlled the <<Empresa Nacional Bazán, S.A.>>, which became responsible in 1947 for the building of all warships for the Spanish Navy and does not appear in the Import Programme. As in the case of military aircraft, the Navy could not be considered within the scope of American assistance. The ban on the sale of military aircraft was maintained when the U.S. Joint Chiefs of Staff pointed out the necessity of having three airfields in Spain for the heaviest bombers.⁷⁵ In common with the U.S. Government, and followed to a decreasing extent by the French Government, the British Government refused to supply Spain with aircraft and aero-engines of a military nature and to allow Spanish industry to benefit of technical advice and assistance in all spheres related to armament and defence which might have increased the effectiveness of the Spanish armed forces. According to British manufacturers, Sweden, Switzerland, the Netherlands, Belgium and even France, had fewer inhibitions about Spain and captured the benefits derived from the Anglo-Saxon ban on the supply of military and semi-military equipment to Spain. This applied particularly to the aircraft industry and to naval construction.⁷⁶ The French were anxious to infringe the agreement.⁷⁷

I have no information about any official modification towards Spain of the

⁷⁴. See Milward's Reconstruction, cit., p. 38.

⁷⁵. FRUS, 1948, III, Memorandum of Conversation, by Horsey, 29 March, pp. 1034-35.

⁷⁶. British position and complaints based on PRO, FO 371/79211: "Policy towards Spain", agreed memorandum prepared by Sir Ivo Mallet after meeting with Sir R. Makins and Sir Williams Strang", 8 August 1949. These British top civil servants questioned the validity of the ban when it cut off British manufacturers from "a market of some importance" and deprived British manufacturers of participation in Spanish development over a fairly wide technical field."

⁷⁷. PRO, FO 371/96202: "Military equipment for Spain", by G.P. Young, London, 2 July 1951.

embargo policy on export of military equipment as applied by the Allies. It is reasonable to imagine that, on the American side, it took place along the military negotiations for bases in Spain during 1952. A modification of the embargo policy took place in the United Kingdom in December 1952 when the total ban was lifted by allowing sales of so-called "common-use" and of obsolescent war material for civilian and military.⁷⁸ But only on 14 December 1953 was officially announced in Parliament that the United Kingdom was prepared to allow the sale to Spain of all manner of military equipment except the latest operational jet aircraft and similar so-called *classified* armament.⁷⁹ It was the immediate result of the new situation produced after the conclusion of the U.S.-Spanish bases agreement of September 1953. Economically, the Spanish market, with an infusion of new dollars, was an attractive proposition to all manufacturers in Western Europe. The possibility of off-shore purchases eliminated the problem that increased sales of war material could be made at the expense of traditional exports due to Spain's traditional shortage of the main trading currencies. Strong economic arguments were in favour of a relaxation and British armament producers, and the Ministries of Supply and Defence, pressed for a modification of policy on the export of arms to Spain. The French, in practice, allowed the sale of small jet aircraft engines much earlier.

The Import Programme, as with the Monnet Plan, concentrated its resources on the reconstruction and modernisation of heavy industry, leaving agriculture outside the "basic sectors". However, if Spain was to stand on its own feet in the future it was necessary to increase its agricultural production. In 1947 agricultural output was at the level of 85.6 as compared with 1935=100.⁸⁰ This decline is most relevant since agriculture appears as Spain's most important industry, directly employing about 55 per cent of the working population and accounting for one-third of the country's GDP.⁸¹

⁷⁸. PRO FO 371/107682: "Notes prepared for the adjournment debate on Anglo-Spanish relations", 13 May 1953.

⁷⁹. PRO, FO 371/107682: Secret Note, "Anglo-Spanish Relations: Possible Action Towards an Improvement", 8 December 1953.

⁸⁰. Carreras: "Indices de la producción agrícola (IPA)", in Industrialización española: estudios de historia cuantitativa, Madrid [Espasa Calpe] 1990, pp. 168-70, p. 169.

⁸¹. Roser Nicolau: "La Población", in Estadísticas históricas, pp. 49-90, table 2.15, p. 78; and Carreras: "La renta y la riqueza", ibid, pp. 533-88, table 13.21, p. 569.

While before its Civil War the country was entirely self-supporting in all essential foodstuffs, having only to import some wheat when the harvest was extremely poor, it had become an important importer due to the stationary inadequate level of output after 1939. In 1944-47 Spain produced one million tons less wheat than the average in 1931-1935. Considering the extremes of both periods, in 1945 Spain produced 2.8 million tons less wheat than in 1934.⁸² Foodstuffs (particularly wheat) now weighted heavily on the import bill and the low level of agricultural output affected foreign currency earnings negatively through a fall in agricultural exports. Agricultural produce had accounted, on average, for 67 per cent of Spain's exports in 1931-1935. It decreased to 53 per cent in 1944-1947. Conversely, the percentage of foodstuffs in total imports increased from 17 per cent to 23 per cent. The import bill for agricultural commodities during those same years amounted to an average value of \$284.5 million. Imports of foodstuffs, beverages and tobacco increased from \$50 million in 1945, to \$111 million in 1947.⁸³ This amount represented three times the figure of annual import savings that the planned output in nitrogenous fertilisers and tractors was to produce!

Imports of foodstuffs did not increase further due to restrictions in consumption. Ration books were issued in May 1939 and not abolished until 1952, in particular, for bread and other essential foodstuffs. Black markets satisfied an important part of domestic consumption not covered by imports or officially recorded domestic output. Although production diverted to black markets was not statistically considered, the black market was even larger than the official market. In 1946/48 clandestine wheat accounted for 44 per cent of total wheat sales.⁸⁴

⁸². Data concerning 1934 from Grupo de Estudios de Historia Rural: "El sector agrario hasta 1935", in Estadísticas históricas, pp. 91-129, table 3.11, p. 108; post-1936 data from Barciela: "El sector agrario desde 1936", cit., table 4.8, p. 145.

⁸³. Figures given by González, La economía política, cit., pp. 374-77.

⁸⁴. Barciela: "El mercado negro de productos agrarios en la posguerra", in Fontana (ed.), op. cit., pp. 192-205, table 2, p. 195. The only (upward) revision concerns wheat, Barciela and Aurelio García González: "Un análisis crítico de las series estadísticas de los precios del trigo entre 1937 y 1980", Agricultura y Sociedad, no. 29, 1983, pp. 69-151. For the clandestine market in wheat and other commodities see further references in Barciela: a) "Las investigaciones sobre el mercado negro de productos agrarios en la posguerra: situación actual y perspectivas", Revista de Historia Económica, no. 3, 1985, pp. 513-18; and, b) "La España del <<estraperlo>>", in García Delgado (ed.): El primer franquismo, cit., pp. 105-22. It was this same phenomenon of incipient breakdown of the exchange economy of the time, as

At the time of drafting the Import Programme, an expansion of agricultural output was necessary due to an increasing population (0.7 per cent annual growth rate from 1940 to 1950) and for economic stability. A bad harvest, such as that of 1945, could have brutally aggravated the national economic situation. A large share of foreign exchange (already reduced by the fall in exports) would have then been committed to obtain essential foodstuffs rather than capital goods and raw materials. In other words, the Spanish economy, due to the poor performance of agriculture, was in a state of permanent instability. This was incompatible with the efforts at modernisation and reequipment to which the Ministry of Industry's Import Programme had invited the Cabinet and the Marshall Plan to finance.

Agriculture also received attention for reasons of import savings. Stepping up agricultural output would alleviate a heavy burden on the balance of payments. Eliminating (or at least majorly reducing) imports of agricultural commodities would automatically free foreign exchange to import raw materials and capital goods to continue the industrial effort. It was estimated that the production of chemical fertilisers and tractors would produce 26 per cent of the annual savings which the Import Programme was to achieve after five years (raised to 32 per cent in the second draft). Savings stemming from increased agricultural output were not estimated and the export side of agriculture, as financier of economic growth through foreign currency earnings, was of no concern to the Import Programme. However, decreased imports and increased exports were important elements in the strategy to generate resources for industrial development.

Agriculture benefited neither from imports nor from investment, despite the Phalange's agrarian idealism where peasant farmers embodied the values of the Nationalistic Spain as against the urban and industrial population.⁴⁵ Investment into agriculture until 1952/53 was extremely limited. The Ministry of Agriculture's

it happened in the rest of Western Europe, which particularly impressed William L. Clayton, the United States Assistant Secretary of State for Economic Affairs; see Clayton's memorandum on the European crisis in FRUS, 1947, III, 27 May, p. 230.

⁴⁵. Carlos Velasco Murviedro: "El pensamiento agrario y la apuesta industrializadora en la España de los cuarenta", Agricultura y Sociedad, no. 23, April-June 1982.

appropriations within the national budget represented 0.8 per cent of the total budget, an insignificant share considering that Spain was basically an agricultural country. On the other hand, 3.8 per cent of total private and public investment reached the countryside between 1942 and 1947.⁶⁶ The orientation of the nation's importing capacity towards essentials left no room for imports of capital goods for agriculture. These accounted for 0.8 per cent on average of total imports from 1939 to 1946.⁶⁷ It was not possible to substitute tractors for animals as imports since the outbreak of the Civil War had been negligible.

Insufficient importation of chemical fertilisers was considered the main cause for the slow recovery in agricultural output and the fall in productivity levels. Import trade had traditionally satisfied Spanish agriculture's consumption of nitrogenous fertilisers. In the early 1930s, the Spanish producers proposed to raise the level of tariff protection in order to develop local manufacturing capacity. They were successfully opposed by agricultural export-crops growers who sought low-priced supply and who wanted to derive benefit from the export facilities offered in the countries exporting chemical fertilisers to Spain.⁶⁸ During the five pre-Civil War years Spanish agriculture benefitted from average imports of 513,000 tons of nitrogenous fertilisers. These decreased, on average, by 95,000 tons in 1941-45 and by 122,000 tons in the following five-year period.

Local production of superphosphates decreased. With a capacity of superphosphate production presented at 2 million tons per year, real output in 1948 was 50 per cent of pre-Civil War levels. Spain previously imported North African phosphates bought from France, as Spain's production was very small. The interruption of trade relations with

⁶⁶. Henry Marti: "Agriculture and Politics in Spain, 1936-1960", Doctoral Diss., University of Michigan, 1979, pp. 157-58, as cit. in Payne, The Franco Regime, cit., p. 387. See Servicio de Estudios del Ministerio de Comercio: "Cómo y cuánto ha crecido la economía española en la década 1951-60", Información Comercial Española, January 1962, pp. 57-99, table III-12, p. 73, for the changed pattern in the early 1950s.

⁶⁷. In 1947 the percentage increased to 1.09 per cent, González, La economía política, cit., pp. 369-77.

⁶⁸. Francisco Bustelo: "La industria del nitrógeno en España", in Problemas técnicos de importancia económica en la nueva organización de España, Barcelona [Universidad de Barcelona] 1940, p. 37, and Román Perpiñá Grau: De economía hispana, infraestructura, historia, Barcelona [Ariel] 1972, pp. 79-80.

France after March 1946 had obliged the Spanish Administration to use domestic phosphates of a poorer quality and to import phosphates and potash from the United States. The substitution of North African phosphates by American potash caused problems in production lines, apart from constituting a severe strain on Spain's dollar holdings.⁸⁹ National production of nitrogen was also very limited and foreign allocations to Spain allowed no relief. The International Emergency Food Council (IEFC) allocated 31,632 tons of N₂ to Spain for the crop year 1947-1948, but this, plus domestic production of 3,600 tons, still left a deficit of 74,768 tons to cover minimal import requirements in the field.⁹⁰ In 1947, some 200,000 tons of phosphate rock imported from Sudan, somewhat larger shipments of Chilean nitrate, which increased to a figure similar to the 1935 level and an exchange of potash for Belgian ammonium sulphate, slightly reduced the deficiency, but there was such shortage that a large and unsatisfied demand for fertilisers remained. Difficulties in supply would continue as long as the world fertilisers situation and Spain's purchasing capacity did not improve.

The shortage of fertilisers had important policy effects. A Decree of 14 December 1942 fixed an upper limit to the planting of orange trees and gave priority in the use of limited fertiliser supply to basic commodities, such as wheat, some vegetables and sugar-beet. Wheat farmers, as in many other countries, had taken advantage of conditions of scarcity to improve their position regarding the rest of the agrarian community. This affected in particular citrus growers and, in turn, foreign currency earnings. In fact, the land dedicated to orange-tree cultivation was reduced by 7,000 acres between 1939 and 1947, reaching the lowest point in 1950, with 69,000 acres.⁹¹ This policy was the outcome of pressure from interest groups and not of an ideological commitment against

⁸⁹. MAE, Leg. 2309, exp. 2: "Spain Must Cooperate".

⁹⁰. Ibid., "Spain Must Cooperate". One of the aims of the IEFC was to match supply and demand of nitrogen fertilisers; it was transferred to the Food and Agricultural Organisation of the United Nations in January 1948. Almost identical figures are provided by M. Gutiérrez Barquín: "España", in *Estudios sobre la Unidad Económica de Europa*, vol. 3, Madrid, 1953, p. 220: 31,662 tons of N₂ assigned by the IEFC and 3,800 tons of domestic production of N₂. The IEFC quota was distributed as following: 18,000 tons from Chili, 10,000 tons from Belgium, 1,862 tons from the United Kingdom and 1,800 tons from Norway.

⁹¹. Barciela: "El sector agrario desde 1936", cit., table 4.6., p. 144.

export crops by Franco's "obsession with self-sufficiency".⁹² Franco himself had a personal and direct experience in the field of agricultural export-crops. In fact, Franco was said to have taken them into consideration in his military strategy during the Civil War, occupying Valence first when he could have occupied Barcelona, so that orange exports could finance cotton imports for the Catalanian textile industry.⁹³ The main problem of Spanish agriculture was, however, its low productivity. The orange-tree surface in 1947 (90.9 per cent as compared to 1935) produced only 79.6 per cent of the 1935 output. In the case of wheat, output in 1947 was 79.2 per cent as compared to 1935 in 94.4 per cent of the 1935 cultivated surface.

Spanish agriculture, without adequate capital infrastructure, was closely dependent upon climatological factors. Rainfalls in the second half of the 1940s were not so much lower than in previous years, but given the conditions of capital infrastructure, any reduction in water-fall produced an important drop in output levels.⁹⁴ Spanish agriculture suffered, furthermore, from intense State intervention which held back the transformation of the countryside. The first Franco Government set up the National Wheat Office to control the sale and distribution of wheat and its main by-products. The General Commissariat of Supply and Transport was responsible for marketing many other essential foodstuffs. They were to guarantee prices and buy entire harvests at State regulated prices (initially lower than expected market prices) with the intention of keeping down the price of wheat, expanding output and reducing dependence on foreign supply to a minimum. Peasant resistance to the system of compulsory Government purchase of cereals at low

⁹². Harrison, *op. cit.*, p. 128.

⁹³. Franco Salgado-Araujo: Mis conversaciones privadas con Franco, Barcelona [Planeta] 1976, p. 202. The author was Franco's cousin and military secretary from 1956 to 1975.

⁹⁴. Carreras: "El clima", in Estadísticas históricas, pp. 19-48, table 1.1, pp. 30-31. An analysis of the effects of climatology on the recovery of pre-civil war levels of output is Montserrat and Hombravella, *art. cit.* Economists writing contemporarily on the events considered the lack of fertilisers and agricultural machinery and the climatological conditions as the explanation for the low level of agricultural output, i.e. Paris, *op. cit.*, p. 47. So did the Bank Urquijo's reports and the British commercial counsellors in Madrid. The minutes of the IEME Council show the permanent preoccupation due to the lack of fertilisers, i.e. in May 1945 the Director General of Agriculture, Manuel de Goytia y Angulo, representing the Ministry of Agriculture at the IEME Council, called his colleagues' attention to the important need to increase imports of fertilisers and capital goods, AHBE, IEME, box no. 2: C/A, 25 May 1945.

prices discouraged production. It favoured local consumption and diverted a substantial proportion of production to the more profitable black market. Furthermore, it provoked a shift from the production of cereals and pulses to uncontrolled products, such as cotton, tobacco, grass, fruit and vegetables, meat and eggs, which were fetching high prices.⁹⁵

The Import Programme was certainly not designed to change agrarian policy. It was limited to pointing out the need to improve productivity. From the Ministry of Industry's viewpoint, as is true for the Commissariat au Plan in France, modernising agriculture passed necessarily through increased mechanisation, extended use of chemical fertilisers and the development of the food-processing industry. When the Director General of Agriculture complained about the price policy for wheat, defined as the main obstacle to any increase in output, the Minister of Industry said that it was up to the Minister of Agriculture to adopt the necessary measures: "On my side, I would be delighted to save foreign exchange."⁹⁶

The institutional effort to boost production of farm machinery and nitrogen fertilisers had taken place since the beginning of the 1940s by declaring both sectors of *national interest*, according to the Act for Protection and Promotion of New Industries of National Interest, 24 October 1939.⁹⁷ The benefits of national interest were extended to production of farm machinery and nitrogenous fertilisers by decrees of 10 February 1940.⁹⁸ Such declaration did not entitle the firms concerned any special priority in the

⁹⁵. A guide to intervention in agriculture are Barciela's publications, based upon his Doctoral Diss., "La agricultura cerealista en la España contemporánea. El mercado triguero y el Servicio Nacional del Trigo (1937-1971)", Universidad Complutense, Madrid, 1981.

⁹⁶. AHBE, IEME, box. no. 2: C/A, 17 October 1945.

⁹⁷. For early 1940s industrial legislation see Buesa: "El Estado en el proceso de industrialización: contribución al estudio de la política industrial española en el período 1939-1963", Doctoral Diss., Universidad Complutense, Madrid, 1982, synthetically published as: Buesa "Algunos aspectos de política económica e industrialización en España (1939-1963)", Comercio Exterior, vol. 33, no. 4, March 1983; and, Braña, Buesa and Molero: "El Estado en los procesos de industrialización atrasada: notas acerca del caso español (1939-1977)", El Trimestre Económico, vol. 50, no. 197, January-March 1983.

⁹⁸. BOE of 25.

allocation of foreign exchange for their imports of equipment.⁹⁹ In the field of chemical fertilisers, the National Nitrogen Plan of February 1940 forecast an annual output capacity of 121,355 tons of N₂, based on domestic raw materials.¹⁰⁰ The military interest of some nitrogen components was an important input in the decision to announce the Plan, although not the exclusive one.¹⁰¹ A percentage of 30 per cent was to be produced at the four industrial settings of Calvo Sotelo, mentioned earlier and a further 7.4 per cent by <<Sociedad Ibérica de Nitrógeno>>, with INI participation.¹⁰² During the summer of 1947 the desirability of setting up fertiliser manufacturing industries for currency conservation purposes through import substitution was reaffirmed, which implies the nil effect of previous State initiatives.¹⁰³ None of the forecast installations initiated production before the drafting of the Import Programme (in fact, not before 1950).

On the other hand, although production of farm equipment is not intensive in high-technology and the domestic industry was technically capable of undertaking production on a large scale, output levels were extremely low. The INI firms <<Empresa Nacional de Autocamiones S.A.>> and <<S.A. de Construcciones Agrícolas>> had plans for the production of 1,000 tractors a year by 1951, which it could not implement. An output of 1,000 units was more a legal fiction than a real economic target. In order to benefit from the advantages of being declared of *national interest*, the producer ought

⁹⁹. Buesa: "Industrialización y agricultura: una nota sobre la construcción de maquinaria agrícola y la producción de fertilizantes en la política industrial española (1939-1963)", Agricultura y Sociedad, no. 28, July-September 1983, pp. 223-48. This article analyses the promotion of industries of agricultural equipment and nitrogenous fertilisers during the 1940s and 1950s.

¹⁰⁰. Bustelo: "La industria del nitrógeno en España", cit., pp. 247-52 gives account of the technical details to accomplish the task. Antonio Robert: Un problema nacional: la industrialización necesaria, Madrid [Espasa-Calpe] 1943, p. 132, argued the need to obtain complete self-sufficiency in the sector.

¹⁰¹. On the military interest see Ministerio de Industria, Dirección General de Industria: Situación y perspectivas de la industria del nitrógeno en España, Madrid, 1952, p. 22. The contrary view is maintained by the then Minister of Industry and Commerce, Demetrio Carceller, who, in 1944, expressed the need to produce nitrogenous fertilisers as follows: "[the production of nitrogenous fertilisers] is not caused by autarchic feelings, which do not attract us, but in order to pay regularly for the imported quantities", "Conferencia en el Círculo de la Unión Mercantil de Madrid", 2 August 1944, Información, August 1944, quoted by Lorenzo, op. cit., p. 46.

¹⁰². Buesa, "Industrialización y agricultura", art. cit., table 8, p. 244.

¹⁰³. AHBE, IEME, box no. 2: C/A, 8 July 1947.

to declare that figure.¹⁰⁴ The problem was that the regular supply of raw materials to the sector proved to represent too heavy a burden on the balance of payments, especially when foreign exchange was necessary to import raw materials for heavy-industry. Consequently, Spanish agriculture remained hardly mechanised at all, since annual imports of tractors were limited to a few hundred, the consequence of a combination of foreign exchange shortage and world supply difficulties. Reaching none of the targets set previously in the sectors concerned, the Import Programme took up the commitment to end the traditional backwardness of the country's agriculture.¹⁰⁵

The group of activities with a direct contribution to agricultural production (including food-processing) received an investment of \$50 million, that is 9 per cent of the total (headings nos. 1, 2 & 23). In the food-processing sector, Spain, it was argued, needed 30,000 tons per year of tin plate for its canned-goods industries (fish and vegetable industries), a commodity whose scarcity had imposed limits on the sector. Concerning nitrogen, the output target was set at 100,000 tons of N₂, similar to the target of the 1940 National Plan for Nitrogen.¹⁰⁶ The target was to be reached once the initial industrial installations had received equipment during the following five years. It was calculated to be only 60 per cent of the country's overall needs, set at 166,000 tons per

¹⁰⁴. Buesa, "Industrialización y Agricultura", art. cit., pp. 226 ff. Spain's production of tractors remained as follows:

Years	Units	Years	Units
1947	30	1954	60
1948	85	1955	850
1949	137	1956	750
1950	188	1957	1508
1953	47	1958	2943

Source: Carreras: "La producció industrial espanyola i italiana des de mitjans del secle XIX fins a l'actualitat", Doctoral Diss., Bellaterra, Barcelona, 1983, p. 345.

¹⁰⁵. The Civil and World wars slowed down the movement from the country to the towns, a notable trend of the previous thirty years, and the agricultural labour force available actually increased. For the so-called crisis of the traditional model of Spanish agriculture see José Luis Leal, Joaquín Leguina, José Manuel Naredo and L. Tarrafeta: La agricultura en el desarrollo capitalista español, 1940-1970, Madrid [Siglo XXI] 1975.

¹⁰⁶. Manuel Fuentes Irurozqui: Algunos aspectos de la economía española, Madrid [Monografías Industria y Comercio] 1949, p. 83, placed exactly at the same level the minimal requirements in nitrogenous fertilisers. It was estimated, some time later, that 100 kilograms of nitrogenous fertilisers would bring an increase of between 120 to 160 kilograms of wheat by acre; AHBE, IEME, box no. 2: The Director General of Agriculture at C/A, 13 September 1949.

year, capable of producing approximately 775,000 tons per year of by-products. Concerning tractors, the Import Programme doubled the 1940 target. Even then, 2,000 units were still considered to cover only half of the production needed. Annual output targets for the production of nitrogenous fertilizers and farm tractors were to be reached in 1952. The subsequent savings of \$35 million would allow the redemption of the credit in one and a half years. The reduced version did not modify the investment figure (except for food-processing), representing essential minimal imports for the sector.

The Import Programme aimed at modernisation (not Civil War recovery) when dealing with agriculture. The output targets set had nothing to do with previous Spanish production. The maximum output level of nitrogenous fertilisers reached by the Spanish economy in the 20th Century was 5,100 tons in 1929 and Spain had no productive tradition in farm tractors.¹⁰⁷ Pre-war Spanish agriculture was, on the whole, backwards, employing a total of 4,000 tractors (or only about one tractor per 5,000 hectares of cultivated land), many of which were destroyed during the fighting, or else deteriorated since then. A problem lies in determining whether there was any large demand for tractors in a country with labour surpluses and farmers who were traditionally mechanisation-unconscious. That agricultural prices grew faster than industrial prices, general wholesale prices and cost of living, and that the black market had brought great prosperity to many farmers, could not escape the attention of the Ministry of Industry and Commerce.¹⁰⁸ Many farmers had learnt during the post-war scarcity period to appreciate the value of fertilisers and farm machinery and now had liquidity to purchase them if given the possibility to do so. This was the task of the Ministry of Industry. On its side, the Ministry of Agriculture could distribute tractors among agricultural co-operatives and small-farming installments promoted by that Ministry.

¹⁰⁷. Carreras: "La industria", in Estadísticas históricas, cit., table 5.19, pp. 206-207.

¹⁰⁸. A general redistribution of income took place in the 1940s in favour of the countryside, in particular the great estates in the south with easier access to fertilisers and larger profits by speculating on the shortages at the black market. See Bank Urquijo: La economía española y la reconstrucción 1947-1951, Madrid, 1952, pp. 102 ff.; Fuentes and Plaza, art. cit., pp. 33-34 and 38-39; Fontana and Nadal, op. cit.; Naredo: "La incidencia del estraperlo en la economía de las grandes fincas del sur", Agricultura y Sociedad, vol. 19, 1981, pp. 81-115, shows how large landlords benefited from black marketing.

The Government had embarked on a number of projects to improve farming methods. Interest-free loans to the value of 40 per cent of the work undertaken could be made to farmers willing to make various improvements of their land. Credits on a large scale were under study, to be administered through the co-operatives or the syndical organisation which would buy tractors and machinery and then hire them to members who lacked the resources to buy their own. As soon as further supplies became available the Ministry of Agriculture's intention was to extend this practice, which had been common before the civil war. In addition, the Instituto Nacional de Colonización purchased land of large estates to distribute between small-holders. However, the debate still remains as to whether the size of the new estates could allow mechanisation.¹⁰⁹

Finally, it is important to notice that the Programme was not concerned with the import of foodstuffs. The Spanish Administration requested no imports of foodstuffs despite the country's urgent needs (see table 3.3). It can be argued that the Government did so because it expected to boost output and because Argentina was to provide the necessary minimal supply in the meanwhile. Imports of foodstuffs were not to be allowed to sacrifice the possibilities for industrialisation and reequipment which Marshall Aid seemed to offer.

TABLE 3.3
EXPECTED DEFICIT IN AGRICULTURAL OUTPUT IN 1948
(in tons)

Wheat	4,500,000
Barley	2,800,000
Maize	1,000,000
Other Cereals	1,450,000
Pulses	760,000
Vegetables	7,300,000
Oil	400,000
Unfermented grapes	2,200,000
Meat	468,000
Fish	500,000
Milk (litres)	1,200,000

¹⁰⁹. Gutiérrez Barquín, op. cit., p. 220, argues that the geography and the dimension of land tenure, apart from oil supply and difficult repairs, allowed no large scale mechanisation. Biescas, op. cit., p. 31, argues that reduced land-holdings made it difficult to derive any benefit from agricultural machinery. See a more detailed account and further references in Biescas' "Réplica a una nota sobre la economía española bajo la dictadura franquista", *Investigaciones económicas*, no. 16, September-December 1981, pp. 171-186, pp. 174-75.

After 1941, Argentina had made a major contribution to alleviating the hunger of the Spanish people. A few months after the war, however, the Argentine-Spanish clearing was exhausted. Argentina, which had traded with Spain on a credit basis, suddenly reduced supply due to the inability of Spanish exports to provide compensation and asked for a revision of the bilateral trading agreements. Spain's compensatory exports were reduced by Argentina to 2,500 tons of thin steel plates to be supplied in three months, which turned out to be too short a time to be met by Spanish industry.¹¹⁰ The need to satisfy Argentina's position was necessary to maintain the flow of foodstuffs, in particular wheat, and the IEME Council tried to expand exports to Argentina at any price.¹¹¹ It must be considered that, for instance, in May 1946 the maximum daily ration was 150 grams of bread.¹¹²

Juan Domingo Perón rose to prominence in 1943 as Secretary of Labour and Social Welfare. His political prestige grew by his imprisonment in 1945 after a coup and his release following mass demonstrations by workers. An anti-Perón "Blue Book" issued by the US State Department during the 1946 elections helped rather than discredited him. A violent Argentine nationalistic reaction against foreign intervention gave Perón the Presidency. Franco and Perón had important common links. Both were military men who had achieved absolute political power, both developed policies originally close to totalitarian lines, both suffered intervention and both were adepts at turning foreign difficulties into a reinforcement of their roles in domestic politics. The vicissitudes of Perón's access to power and the fact that the Spanish Government was the first and for some weeks the only one, to grant official recognition to Perón's government in February 1946, eased the path for an improvement of relations.

The bilateral trade and payments agreement, signed between Spain and Argentina on 10 October 1946 with a validity of five years, was perhaps the most important of all the Spanish post-war trade agreements. It differed from the rest in so far as it provided

¹¹⁰. AHBE, IEME, box no. 2: C/A, 17 October 1945.

¹¹¹. Ibid., C/A, 17 October 1945, 15 January and 28 March 1946.

¹¹². MAE, Leg. 3085, exp. 30: Communication by the Wheat National Service, 14 May 1946.

a large credit to Spain. Under its provisions, revolving credit facilities of 350 million Argentine Pesos were granted to Spain for the acquisition of Argentine produce (mostly cereals and meat). In exchange, Spain was to export substantial quantities of textiles, as well as lead, steel products, cork, olive oil and machinery. Realising that immediate Spanish exports could only amount to a fraction of the imports from Argentina, the latter granted to Spain the $3\frac{3}{4}$ per cent External Redeemable Loan of 22 November 1946, of 400 million Argentine Pesos, repayable within 25 years by half-yearly redemptions of 1.225 per cent in order to settle outstanding debts with Argentina and to continue purchases in that country up to 1951.¹¹³ Immediately after the United Nations resolution of December 1946 condemning Franco's Spain, President Perón refused to lend support to international intervention in domestic affairs and two weeks after the arrival of the new Argentine ambassador, the second bilateral trade agreement was signed on 30 January 1947, along identical lines to its predecessor.

Imports from Argentina were largely responsible for Spain's overall import increase in 1947 of about 213 million of gold pesetas, 28 per cent above the 1946 level (see table 2.2). Argentina was to provide the following during 1948: 300,000 tons of wheat, at a rate of 40,000 tons per month between January to June; 110,000 tons of maize plus 40,000 tons remaining from the 120,000 tons of the 1947 quota; 38,000 tons of barley, 20,000 tons of frozen meat, 10,000 tons of bacon and fats, 500 tons of industrial grease, 1,000 tons of powered milk, apart from beans, salt meat, wool, cotton, fresh eggs and vegetables.¹¹⁴ Imports from Argentina were far from covering the needs of the domestic market, but allowed the Ministry of Industry to concentrate the possible American assistance to foster industrial production.¹¹⁵

The Argentine credit was to be spent in Argentina solely on foodstuffs but not on

¹¹³. A report, drafted years after, contains detailed information about the main features of Spain's bilateral trade relations with Argentina, MAE, Leg. 5919, exp. 1: "Información confidencial sobre el contenido y negociación de los recientes acuerdos económicos con la República Argentina", 26 February 1958.

¹¹⁴. AHBE, IEME, box no. 117 bis: Note on Argentine Supply, 31 January 1948.

¹¹⁵. The only food commodity requested by the Ministry of Foreign Affairs' Memorandum of 15 November consisted of 80,000 tons of sugar (apart from the \$50 million of goods directed to farm machinery and fertilisers production).

the capital goods most needed to achieve recovery and modernisation:

"An enlargement of the Argentine credit will solve food situations of unquestionable importance for some time, but it will not resolve the basic problem of our economy at present most needed of equipment and production goods for its development."¹¹⁶

Trade with Argentina, supposedly the bridgehead of *Hispanidad*, was neither the evidence of Spain's foreign policy redirecting towards Latin America, following the ideal community of Hispanic nations, nor a substitute to other long-term commercial partners. Commercial relations with Argentina were clearly of a transitory nature.¹¹⁷ Argentina could be neither a market for Spanish exports nor a supplier of capital goods which the Spanish economy desperately required. It provided for supply of expensive wheat, outside the favourable purchasing conditions of the International Wheat Agreement.¹¹⁸ According to Franco, Argentina charged Spain five times the production price.¹¹⁹ On its side, Argentina received high cost and slow delivery of Spanish manufactured goods. This clearly unbalanced commercial relation certainly did not help Spanish industrial modernisation, but it did provide necessary relief.¹²⁰

In the case of the textile industry -the most important industry in Spain- where de-concentration was at a maximum, the Ministry of Industry and Commerce, as in the case of agriculture, did not risk direct involvement and the Import Programme did not set

¹¹⁶. AHBE, IEME, box no. 3: S/C, 16 October 1947. "The problem that we really want to solve is the supply of equipment and capital goods to increase domestic output", MAE, Leg. 2309, exp. 2: Artajo's cifra no. 1196 to Chargé in Washington, Madrid, 6 November 1947. Already in 1945, Emilio Navasquès, Director General of Economic Policy at the Ministry of Foreign Affairs, explained to the IEME Council in these terms the core of the problem of economic relations with Argentina; AHBE, IEME, box no. 2: C/A, 17 October 1945.

¹¹⁷. An abuse of dependency/interdependency theories could lead to misleading conclusions in the case of Spanish-Argentine relations as Marisa González de Oleaga: "La alianza Franco-Perón: Una aproximación crítica desde la perspectiva de la dependencia, 1946-1951", *Hispania*, vol. 48, no. 169, 1988, pp. 625-89.

¹¹⁸. See chapter seven, p. 540, for further references on the IWA.

¹¹⁹. Salgado-Araujo, op. cit., p. 17.

¹²⁰. The different credit facilities granted by Argentina at the end of 1947 amounted to 33.2 per cent of the foreign currency earned in 1946 (as registered by the IEME), to 23 per cent in 1947 and to 75 per cent of the increase between 1946 and 1947; AHBE, IEME, box no. 7: IEME's annual report for 1947.

any precise output targets. It limited itself to set an import figure for raw materials and equipment to renew the looms. A committee appointed by the Government to assess the needs of Spain's textile industry reported that an expenditure of £2 million a year, over the following five years, would have been required if the industry was to be placed on a modern footing and compete successfully on world markets.¹²¹ The shortage of foreign exchange prevented any real start upon the project of imports of textile machinery. It was difficult to give priority to this sector, in view of the large quantities of foreign exchange required for imports of hydro-electric machinery and other top-priority needs. Spain, it was argued, had 1,315 textile factories working 79,875 looms and 2,039,000 spindles consuming about 15,000 tons of cotton per month. The requirements (discounting domestic production) were placed at 110,000 tons of raw cotton per year, against imports of 57,200 tons in 1947.¹²² Since the end of the Civil War imports had, on average, only amounted to some 80 per cent of the target import figure.¹²³ Local production, in spite of strong Government encouragement, was not able to do much to bridge the gap, while being more expensive than imported cotton.

The textile industry was considered as one of the few manufacturing industries able to export. The Government made strenuous efforts to encourage the export of textiles, using the allocation of raw cotton to force out a given percentage of production. The value of exports of textiles in 1946 tripled their 1945 value, while their foreign currency earnings in 1947 (an increase of £8.3 million over 1946) covered completely the loss involved in traditional export commodities.¹²⁴ It seemed necessary to boost these exports, following the recovery of Western European purchasing power, when it was perceived that traditional exports had difficulties in expanding due to prices and to a

¹²¹. It was recommended that half of the machinery required should be imported and the other half manufactured locally; Walker, op. cit., p. 93.

¹²². Figure for cotton requirements in MAE, Leg. 2309, exp. 2: "Spain Must Cooperate". It is interesting to notice that Fuentes Irurozqui, op. cit., p. 61, gave similar figures for annual requirements of cotton (105,000 tons).

¹²³. The rise in the cotton price could partially explain Spain's low import capacity: the export value of American cotton rose by 354 per cent between 1938 and January 1947, United Nations, Economic Commission for Europe: Economic Survey of Europe in 1948, Geneva, 1949, p. 95.

¹²⁴. AHBE, IEME, box no. 7: IEME's annual reports for 1946 and 1947.

change in international demand. Serious competition on the world market was to take place only if -it was stressed on different occasions- Spanish industry could overcome its raw material difficulties with foreign supply.¹²⁵ Otherwise, Spanish textile prices would remain high and with the revival of competition in a number of markets, orders would be more difficult to obtain.

Synthetic textile fibre and cellulose accounted for 2.1 per cent of the overall import figure (headings no. 9 & 10). Previous State intervention in these sectors had little success. The <<Sociedad Nacional de Industrias y Aplicaciones de la Celulosa Española>> -to produce staple fibre yarn using eucalyptus wood as a raw material- and the <<Fabricación Española de Fibras Artificiales S.A.>> -based on the use of straw- were set up in 1941. Both plants could not start manufacturing cellulose and synthetic fibre until after 1950 when the first supplies and foreign technical cooperation had arrived.¹²⁶ The Import Programme requested \$14 million aimed at producing 50,000 tons of cellulose and 10,000 tons of synthetic textile fibre. The important feature of both sectors (and aluminum) was that in one year on average the import savings would cover the value of the initial import bill.¹²⁷

Finally, the Import Programme requested \$100 million to supply the necessary machine-tools and spare-parts to produce 25,000 tons of tools and machinery by local manufacturing industry over five years. This constituted a serious obstacle to Spanish economic development. While Germany, Spain's largest pre-war supplier, remained unable to deliver, imports came mainly from Switzerland, the United Kingdom and the United States. After supplying the bulk of the trade in 1945, Switzerland lost much ground during 1947, owing to exchange difficulties and for the same reason imports from the United States also fell away. Consequently, the United Kingdom's share of the trade actually increased. There had also been some imports on a smaller scale from Sweden and Italy.

¹²⁵. AHBE, IEME, box no. 7: IEME's annual report for 1946, dated on 25 April 1947, pp. 2-3; and, *ibid*, box no. 3: S/C, 16 October 1947.

¹²⁶. Fontana and Nadal, *op. cit.*, pp. 506-507.

¹²⁷. The Import Programme aimed at increasing domestic output of aluminum by 2,500 tons per year (after three years), as complement to the INI output produced by <<Empresa Nacional de Aluminio, S.A.>>.

Supplies from all sources, however, did not satisfy more than a small fraction of the potential demand. With the help of Marshall Aid, imports would have worked for the modernisation of the obsolete industrial equipment. The procedure to be followed might have been that foreign firms were invited to submit preliminary offers based on the production of all equipment in Spain under license.

The reader's first reaction might be to think of the Import Programme exclusively in terms of reducing dependence on foreign supply and increasing self-sufficiency. However, the two main incentives behind the Programme, foreign exchange difficulties and economic modernisation, were outside any ideological commitment towards autarchy. The Import Programme estimated that future foreign exchange savings, if domestic production reached the planned targets, was to be \$134.25 million (\$108.25 million in the second draft), which would have covered in five years the cost of the initial investment (see table 3.1, g & h). Reducing the need for imports, which it was anticipated was to remain far in excess of Spain's capacity to earn foreign exchange, implied the possibility to make full use of foreign exchange reserves to increase imports aimed at breaking bottlenecks to allow sustained growth. It was to be a spill-over process departing from strategic sectors to the future economic development. The full productive capacity of existing plant could not be used due to shortages of raw materials, especially those of foreign origin, and shortage of spare-parts kept a proportion of the machinery idle. There could be no relief for the engineering industry as a whole without technological modernisation. Imports could be arranged through bilateral dealings but the volume, which was limited by reduced availability in the international market as much as by Spain's scarcity of foreign exchange, proved not sufficient to prevent further decline in operating efficiency. It proved at best to be able to carry out only limited modernisation. There could be no recovery in agricultural or industrial production without a large expansion in imports of essential materials and equipment with the objective of raising productivity. Overcoming bottlenecks as well as increasing output could not be conceived outside modernisation. This is the deep sense of the Spanish Ministry of Industry's *reconstruction* of the national economy.

3.4. Limited Financial Resources

When the US Secretary of State Marshall offered American economic assistance for the reconstruction of Europe, the Spanish economy was finding it most difficult to finance its planned programme of imports. The country's export potential generated only few financial resources and its post-world war foreign exchange situation showed a decreasing trend, which accelerated during 1947. The deficit in current account, which was expected to diminish in 1947, increased with a direct negative effect on foreign currency reserves. The post-war boom, if there had ever been one at all, slowed its pace during 1946 and died during the first half of 1947 (compare table 2.7 with table 3.4). For the Minister of Industry and Commerce, the lack of foreign currency reserves to pay for imports represented the "main Spanish problem" in July 1947.¹²⁸ The Minister declared the need to increase threefold the then existing resources to enable the reconstruction and modernisation of the Spanish economy.

A seasonal fluctuation in Spain's earnings of foreign exchange was normal since they largely derived from agricultural products, which impose a seasonal fluctuation also in the granting of import licenses. The greatest influx occurred in the early part of the year and the lean months were in the summer (August and September), when comparatively few licenses were granted for imports from any country. During the summer months of each year, when Spain's earnings of foreign exchange were at low ebb, the authorities granted some licenses with deferred payment terms involving payment in the autumn or the winter, when sufficient exchange would be available to cover the operation. This was a stop-gap measure, never fully used and abandoned when the foreign exchange position improved. The situation in the autumn of 1947 was perceived as different from summer gaps. After the summer the exchange reserves decreased (except for escudos and Swiss francs).

¹²⁸. AHBE, IEME, box no. 2: C/A, 8 July 1947. This IEME Council of Administration's meeting is particularly important. It was its only meeting in 1947. It had not met since 24 July 1946 and was not to meet again until 4 January 1949.

TABLE 3.4

SPAIN'S RESERVES OF MAIN TRADING CURRENCIES (IN PESETAS), AUTUMN 1947

31 SEPTEMBER 1947				15 OCTOBER 1947						
Currency	Holdings		Authorized Credits	Pending Requests	Currency	Holdings		Authorized Credits	Pending Requests	(a) (b) (a) (b

Sources: AHEB, IEME, box no. 3; S/C, 3 and 16 October 1947, respectively. The minutes for the meeting on 16 October can also be found in MAE, Leg. 5281, exp. 13. (**) See explanation in text; (f) the Swiss francs recorded in September were composed of 7,985,341 free francs and 16,202,485 corresponding to the clearing, while those registered in October corresponded 7,581,191 and 15,686,048 to both categories, respectively; authorized credits in Swiss francs corresponded to clearing Swiss francs as well as most of the pending requests; (*) no authorization of credit without the immediate release of the corresponding amounts was allowed in trade relations with Denmark and Belgium. The Spanish import licensing formalities required that when a license had been granted, an application had to be made through a local bank for authority to open the corresponding credit in the country concerned. Importers of Spanish goods were well advised not to consider an order as firm until the necessary credit had been opened in their respective countries. French francs are not mentioned because they were of no use to import trade.

Without considering the debt with Argentina, which consisted of the full use of credits, Spain's reserves of its main trading currencies had decreased by 96.6 per cent during the twelve months of 1947.¹²⁹ In September, the country's reserves of its main seven European trading currencies plus the dollar, which had already decreased by 57 per cent with respect to 31 December 1946, could not cover authorisations for the first time after the world war. The corresponding departments suspended import licenses and credit authorisations (except a limited number of licenses with deferred payment). The IEME had wrongly expected larger earnings of foreign exchange and had, consequently, granted authorisations at a faster rate than that which foreign exchange earnings would have permitted it to do. In September, foreign exchange reserves remained at 29 per cent of the value of authorisations and at 16 per cent of total demand (authorisations plus pending requests). Fifteen days later, IEME's exchange stock covered only 11 per cent of the potential import demand to be paid off in the main trading currencies. Spain's reserves of foreign currency had to be multiplied 4.4 times to cover authorisations, 9 times to satisfy demand completely and, splitting the Import Programme into four years, 7.4 times to finance the annual import quota of the Ministry of Industry's second draft of minimal import requirements.

The main obstacle to financing the reconstruction programme was the dollar shortage. Dollar holdings passed from the position of being the largest reserve at the end of 1944 and 1945, although further reduced, to that of the second largest deficit after the Swiss franc (compare table 2.7 with table 3.4). A credit of \$3.5 million granted in the summer of 1947 by the Société de Banque Suisse, Geneva, allowed for the dollar deficit.¹³⁰ By then, the IEME's dollar reserves amounted to \$1.4 million.¹³¹ That is 7 per cent of the credit authorisations granted plus the pending requests to import from the dollar area. Dividing the Import Programme's second draft into four years, dollar reserves by October 1947 could only finance 1.2 per cent of the annual rate.

¹²⁹. On 31 December 1947, the IEME's foreign exchange reserves, discounting the debt with Argentina, were only Pts 8,892,672, while they were Pts 258,807,444 on 31 December 1946; see table 2.7 and AHBE, IEME, box no. 7: IEME's annual report for 1947.

¹³⁰. AHBE, IEME, box no. 3: S/C, 14 July 1947.

¹³¹. Ibid., S/C, 16 October 1947, which is a splendid compilation of all the Spanish financial difficulties at that time.

The Government had important non-commercial dollar commitments which further reduced the use of dollar reserves for commodity trade. This concerns, in particular, the nationalisation of the Spanish Telephone Company. On 1 January 1945, a 4 per cent External Redeemable Loan was issued for \$50 million, in payment for the majority holding of the International Telephone and Telegraph Corporation (ITT) of New York in the <<Cia. Telefónica Nacional de España>>. Repayment was to be made by 1960, by annual redemptions of not less than \$2 million (which, however, the Spanish Government paid off by June 1952).¹³² Although it followed ideological commitments, this was the immediate consequence of an overestimation of future dollar earnings.¹³³ Unexpected circumstances turned this decision, adopted at more prosperous times, into a heavy burden for all dollar payments.

The disastrous 1945 wheat harvest and the sudden decision adopted by Argentina to reduce supply made clear that the Spanish Administration had misjudged the capacity of the Spanish economy to finance the ITT debt. The 1945 wheat harvest -1.5 million tons less than in 1944- increased the already high Spanish demand for cereals. The reduction of Argentina's supply imposed an expansion to dollar suppliers, which ran counter to dollar payments to ITT. The import authorities estimated *essential* wheat imports from North America at 160,000 tons in October and November 1945, at a total cost of \$12 million.¹³⁴ The need to cash on the nail pushed wheat purchases down to 50,000 tons. On the contrary, ITT received \$6.7 million before the end of the year and \$2 million of the loan the Spanish Government had floated were paid off.¹³⁵ If the dollar situation in 1945 was still not perceived as pressing (the annual ITT redemption was much higher than necessary and paid two months in advance), it changed in 1946 so that ITT payment

¹³². As announced by the ITT itself; Shneidman, *op. cit.*, p. 83-84.

¹³³. The positive results between 1941-1945 allowed to create a small gold stock, to cancell some commercial and political debts, to provide some credits and to nationalise the telephone company. Explicitly recognised by Antonio de Miguel, Councillor of National Economy and former Director General of Commerce and Tariff Policy; AHBE, IEME, box no. 66: "Nota sobre la balanza de pagos en relación con la situación económica en general", n/d, probably May 1946. Once the decision to "rescue" the telephone company had been adopted, its payment could not be a matter of discussion at the time. It would have destroyed the Spanish Administration's financial reputation.

¹³⁴. AHBE, IEME, box no. 2: C/A, 17 October 1945.

¹³⁵. *Ibid.*, C/A, 7 September 1945.

became a serious strain placed on Spanish limited dollar resources. The cancellation of some contracts of Spanish manufactured goods to be paid for in dollars after the Summer of 1945 reduced dollar earnings while ITT payments (\$6.3 million plus \$4 million of the loan floated) subsisted. The result was the collapse of the IEME's dollar holdings by the end of 1946 to 8 per cent of the 1944 level (see table 2.7).¹³⁶ By the end of September 1947, the IEME's dollar reserves were already below the annual ITT debt repayment due before the end of the year.¹³⁷ Under these circumstances, dollars for trading purposes were reduced to zero and all dollar imports suspended, leaving this currency supporting the largest pent-up demand. Consequently, the IEME Assistant General Director presented the dollar situation as "disastrous".¹³⁸

Exports into the United States were un-promising (see table 3.5). They dropped after 1945, losing in two years the level gained after the war. In 1947, the effort to maintain a high level of imports (index value of 116 as compared to 1943=100) at the time of rising inflation in the United States resulted in a dollar shortage since exports financed only 70 per cent of imports.¹³⁹ Exports to the United States were not sufficient to enable Spain's imports from that country to be resumed on anything like their pre-war scale. In 1947, high Spanish export prices combined with high priced American imports to reduce trade between both countries by almost 50 per cent.

¹³⁶. Ibid., C/A, 17 October 1945, gives account of the cancellation of contracts payable in dollars.

¹³⁷. The IEME's dollar reserves amounted to \$2.1 million while ITT payments amounted to \$2.6 million; AHBE, IEME, box no. 3: S/C, 6 October 1947.

¹³⁸. Manuel Vila Górriz, future IEME Director from August 1949 to February 1955; *ibid.*, S/C, 30 October 1947. He asked for an immediate enlargement of the \$3.5 million credit granted in the summer of 1947 by the Société de Banque Suisse at a high interest. It was obtained, increased up to \$9 million, with gold guarantee in February 1948; *ibid.*, S/C, 30 October and 3 November 1947, and 6, 9, and 16 February 1948.

¹³⁹. The Economic Commission for Europe of the United Nations estimated that, in January 1947, American export prices had increased by 243 per cent as regards the 1938 level and by 301 per cent in January 1948, wheat and cotton being above both levels, Economic Survey of Europe in 1948, cit., p. 95. In Spain, as in the rest of Europe, the deterioration of the terms of trade with the United States was partially created by American inflation, see Giorgio Fodor: "Perché nel 1947 l'Europa ebbe bisogno del Piano Marshall?", Rivista di Storia Economica, n.s., vol. 2, no. 1, 1985, pp. 89-123. There was an open concern about the rise in prices of most import commodities which drastically reduced the import levels in volume; AHBE, IEME, box no. 7: IEME's annual report for 1946, dated 25 April 1947.

TABLE 3.5
SPAIN'S TRADE WITH USA, 1943-1947
(in millions of gold-pesetas)

YEARS	IMPORTS	EXPORTS	BALANCE
1935	147 000	55 900	- 91,100
1943	92 671	77 147	- 15,524
1944	111 835	134 570	+ 22,735
1945	157 549	177 573	+ 20,024
1946	162 195	159 673	- 2,522
1947	107 381	75 543	- 31.838

Source: AEE, years from 1946 to 1948.

The imbalance in trade commodity composition added desperation to any future change in the situation. Agricultural commodities accounted for 65 per cent of Spain's export trade to the United States in 1946. Cotton, oil, machinery and vehicles accounted for 68 per cent of total imports from the United States in the same year. Cotton was necessary to provide potential exports to those countries unwilling to expend their scarce dollars to purchase cotton textiles from the United States, while oil, machinery and transport equipment were major bottlenecks of the Spanish economy. Spain was unable to expand exports to the United States, while it could not further reduce its dollar imports if reconstruction was not to be impaired. An expansion of exports to the United States could not be achieved through the restriction of domestic consumption (as to free additional exports) or dumping mechanism. The Spanish Administration had already attempted both, with little success, when the first signs of a decreasing trend of exports to the United States appeared. At the end of 1945 the Spanish Minister of Industry proposed to export 10,000 tons of oil (5 per cent of the annual output) to the United States to increase dollar earnings. Given the extremely low level of oil output in 1945 (68.5 per cent of 1944 and 43 per cent of 1935) the measure was to be implemented secretly.¹⁴⁰ Secondly, the subsidies for cork exports were answered by the United States import authorities by imposing a charge (40 per cent ad valorem) on these same exports since November 1947.¹⁴¹ The only way to increase dollar earnings lay in a normal pattern of trade based on increased output and productivity which would enable the Spanish exporters to sell on the United States' market. That meant high investment into

¹⁴⁰. AHBE, IEME, box no. 2: C/A, 17 October 1945.

¹⁴¹. AHBE, IEME, box no. 117 bis: "Informe relativo a las cuentas combinadas de importación y exportación", by the National Import-Export Federation, Barcelona, 31 October 1947.

the Spanish economy as the Import Programme had requested.

The Ministry of Industry and Commerce had relied on the United States to provide assistance to the Spanish production capacity. It forwarded all imports from the United States, which yielded savings in the cost of commodities and delivery and technological adjustment to the requirements of Spanish industrial plants. If supply or financial difficulties appeared, at least between one third and one half of the total requested should come from the United States. The rest could be obtained through normal trade channels from traditional suppliers of manufactured goods, the United Kingdom, Switzerland, Belgium, Sweden, Italy and eventually, France.

The second main feature of IEME's exchange stock was the leading position of the pound sterling, which had followed a continuous increase since 1944 (see table 2.7). In the autumn of 1947, sterling holdings compensated for 85 per cent of the accumulated deficit of the rest of the European currencies and for 60 per cent of the accumulated deficit of the European currencies plus the dollar deficit. The surplus position of the sterling attracted the largest share of import demand: authorisations to purchase in sterling accounted for 60 per cent of authorisations in all currencies.

The large sterling and much reduced dollar holdings could, in part, be explained by the expectation of sterling convertibility announced for the 1st of July 1947, under the provisions of the Anglo-American Financial Agreement of July 1946. Spanish and British officials had already agreed in principle, in February 1947, that Spain, as part of the British transferable account area, was to benefit from the announced convertibility. The British Transferable Accounts were intended to become the basis of a multilateral trade settlements structure in Europe, based on sterling freely transferable among those European countries which agreed to accept and hold sterling.¹⁴² An official agreement, complementary to the monetary agreement of March 1947, was definitely signed in June that year (at the time of the new trade and payments agreement). The British desired to

¹⁴². United Nations, Department of Economic Affairs of the Economic Commission for Europe: Survey of the Economic Situation and Prospects for Europe, Geneva, 1948, p. 99.

link the Spanish economy to the international economy, or at least to the British one, and to end its inward-looking character.¹⁴³ The agreement, coming into force on the 1st July 1947, provided for the free convertibility of Spain's held sterling at the disposal of the IEME, as agent of the Spanish Government, for current account transactions to residents of countries outside the Spanish monetary area. The prospect of a flexible system of compensation, including conversion into dollars for current transactions, may have provided an incentive to the Spanish authorities to accumulate sterling and allowed them spend dollars beyond prudent limits.

Unfortunately, the convertibility exercise for the pound sterling collapsed on 20 August 1947 after only six weeks. Transferability rights for sterling accounts and the right to automatic convertibility into dollars were suspended.¹⁴⁴ The supplementary agreement providing for the expendability of Spain's current sterling, was at first virtually placed in abeyance and then formally abrogated in June 1948. It was the dramatic end of the Spanish dream of benefitting from a multilateral payments scheme. Spain, without ERP membership, could not take part in the First Agreement on Multilateral Monetary Compensation signed in November 1947, which came into effect on 1 January 1948, covered only France, Italy and the Benelux countries and lasted ten months.¹⁴⁵ It remained locked in a suffocating bilateral system of payments, acting as the most effective constraint to trade promotion. The only oxygen came from the British facilities for obtaining import supplies of cotton, rubber, jute and other raw materials from the Sterling Area and petroleum products from British controlled sources. This was a device which the British used constantly to improve their commercial bargaining position vis-à-vis the

¹⁴³. "Agreement Supplementary to the Monetary Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Spanish Government dated 28th March, 1947", London [HMSO] 26 June 1947. The agreement was not signed in February because it was felt that it would be embarrassing to give Spain currency spendability then, ahead of some of the Allied countries; PRO, FO 371/67895: Treasury to FO, 18 June 1947.

¹⁴⁴. For Britain's financial problems and the convertibility crisis of 1947, see Sir Alec Cairncross: Years of Recovery. British Economic Policy 1945-51, London [Methuen] 1985.

¹⁴⁵. Milward, Reconstruction, cit., p. 263, describes the first monetary agreement as "of little importance" because the volume of settlements made under it was very small: automatic compensation covered about \$1.7 million out of payments debts totalling \$762.1 million; R.W. Bean: "European multilateral clearing", Journal of Political Economy, vol. 56, 1948, cit. in Reconstruction.

Spaniards. Trade relations with the United Kingdom were pivotal in these circumstances, as will be shown in the following chapter.

The reader should consider other circumstances concerning some of the main trading currencies. Most of the inter-bank and commercial credits which fed the deficits shown in table 3.4 required either immediate repayment or were exhausted. The IEME's reserves of 35.7 million escudos were necessary to cancel the Bank of Portugal's revolving credit facilities of 40 million escudos before the end of the year. A credit of 8 million granted by Crédit Suisse, Zurich, allowed for one third of the deficit in Swiss francs. Although the credit was not to be repaid before the end of June 1948, by mid-October 1947, 96 per cent of the credit was exhausted. On the other hand, Spain had exceeded the swing allowed by the bilateral clearing (a maximum of 10 million) by 5.7 million Swiss francs. This caused the Swiss to cancel all payments to Spain and end temporary bilateral trade. With respect to Belgium, by mid-October, Spain had used 71 per cent of the maximum trade deficit allowed by the National Bank of Belgium. Furthermore, it was often necessary to hold part of the reserves to pay pending commercial debts. The situation was so critical that even payment to the Spanish diplomatic personnel appeared problematic.¹⁴⁶

Spain's invisible earnings were also much reduced. The difference between official and free market rates of exchange diverted the flow of the possible invisible earnings to the black market and to other obscure operations. Despite their constant increase between 1941 and 1946, invisible earnings were way below their past contribution to the balance of payments. Problems with entry visas for visitors and complications over peseta rates did not help tourism to ease balance-of-payments difficulties, as would be the case after the mid-1950s onwards. A preferential tourist rate (approximately 50 per cent above the commercial rate), initially limited to the dollar, was extended to other currencies (sterling, Swiss francs, escudos and Argentine pesos) in August 1946. When the restoration of the preferential rate of exchange, suspended in 1942, was discussed, it was feared that the country's poor tourist structure (hotels and

¹⁴⁶. Paragraph based upon AHBE, IEME, box no. 3: S/C, 3 and 16 October 1947.

transports facilities) would mitigate against any benefits and would only open a door to illicit foreign currency operations.¹⁴⁷ This was partially avoided by the requirement for travellers entering Spain to exchange officially a certain minimum amount of foreign currency. At the same time, foreign exchange was only granted to Spaniards for travel abroad when the journey was considered to be in the national interest, the Spanish authorities making no provision for tourist travel. Income from tourism increased progressively but weakly from 1945 (£811,555) to 1947 (£3 million).¹⁴⁸

The extension of the preferential rate in August 1946 to capital transfers to Spain by Spaniards and to remittances did not compensate for changing at official rate other than in the black market.¹⁴⁹ Remittances increased slightly between 1945 and 1947 in £710,396.¹⁵⁰ The transfer entry in Spain's balance of payments for 1946-1947 remained at 30 per cent of its 1931-1932 level. The tourist rate served, however, to open the door for pressure groups to request its extension to other various financial operations.¹⁵¹ The application of the preferential rate was extended, in December, to cover a variety of other transactions for living expenses, fares payable in foreign currency, travelling and education expenses, private insurance premiums and newspaper subscriptions, but, as far as possible, its application was designed to avoid affecting the amount in foreign currency due to a foreign creditor.¹⁵²

The regulation about foreign investment mentioned in the previous chapter did not change. Spanish legislation limited the contribution of foreign capital to capital formation, balance of payments and increase of productivity, by restricting foreign capital in enterprises to a maximum of 25 per cent (up to 45 per cent with the explicit permission

¹⁴⁷. AHBE, IEME, box no. 2: C/A, 21 November and 11 December 1945.

¹⁴⁸. AHBE, IEME, box no. 7: IEME's annual reports for the corresponding years.

¹⁴⁹. AHBE, IEME, box no. 3: S/C, 16 October 1947.

¹⁵⁰. AHBE, IEME, box no. 7: IEME's annual reports for the corresponding years.

¹⁵¹. AHBE, IEME, box no. 3: S/C, 29 May 1947.

¹⁵². A guide to the complexities of financial legislation is Fernando Eguidazu: Intervención monetaria y control de cambios en España (1900-1977) Orígenes y evolución del control de cambios en España, Madrid [Héroes] 1978.

of Council of Ministers) and virtually blocking the transfer of dividends and royalties.¹⁵³ In July 1947, a law was passed reasserting the existing prohibition on foreign holdings of more than 25 per cent in Spanish companies. This prohibition now affected all Spanish companies instead of only Spanish manufacturing companies as before. This amount could be raised to 45 per cent in special circumstances. Any higher percentages could only be authorised by the Council of Ministers, although commercial associations could never surpass 10 per cent of foreign capital and in mining no more than 49 per cent.¹⁵⁴ A relaxation of legal dispositions was discussed in 1947 but the legislation lasted until 1957 as a discouragement to foreign investment.¹⁵⁵

There had also been significant liquidation of foreign overseas assets during the Spanish Civil War and the immediate post-war, in particular in Argentina, Switzerland, the United Kingdom and the United States.¹⁵⁶ Furthermore, restrictions applying in several countries, especially in the United States, did not allow to transfer benefits. The Spanish-owned assets in the United States, amounting to some \$50 to \$60 million, remained blocked by the Truman Administration and could not be used by the Spaniards as guarantees in obtaining bank credits. Their release depended upon the conclusion of the Safe Haven negotiations.¹⁵⁷ After a seven-year freeze, they were released on 28 May 1948.¹⁵⁸ It had taken place a few days after the signature of the agreement on German assets and the agreement in principle with the Spanish Government to restore to the Allies

¹⁵³. Act for the Promotion and Defence of Domestic Industry, 24 November 1939, art. 5.

¹⁵⁴. Ramón Tamames: The Spanish Economy. An Introduction, London [C. Hurst] 1986 [English version of Estructura Económica de España, Madrid [Alianza Editorial] 1985 (16th ed.)], p. 181.

¹⁵⁵. AHBE, IEME, box no. 3: S/C, 22 May 1947.

¹⁵⁶. See the negative short-term capital balance of the Spanish balance of payments during 1941-44 in Carreras: "La renta y la riqueza", cit., table 13.26, p. 573.

¹⁵⁷. FRUS, 1948, III, Memorandum by the Assistant Secretary of State for Political Affairs Norman Armour of telephone conversation, Washington, 26 March, p. 1030.

¹⁵⁸. Area Handbook for Spain, Washington [US Government printing Office] 1976, p. 275.

the gold identified as Nazi loot.¹⁵⁹ The gold assets in the Bank of Spain were equivalent to Pts 1,215 million at the end of 1947, one half those in 1935. The IEME Steering Committee proposed to maintain them since their amount could never cover the deficit in current account.¹⁶⁰ Finally, the potential response of borrowing from abroad as to finance imports was, only partially, a feasible option for Spain.

It has been most recently argued that the Franco regime had an aversion to international financial aid.¹⁶¹ Contrary to this opinion, in the summer of 1946, the credit policy regarded "indispensable" to bind "the largest possible number of foreign interests" to the Spanish economy.¹⁶² Foreign private credits flew limitedly to Western Europe as a whole, while the Spanish economy did not attract them and the Spanish authorities found it most difficult to provide gold as collateral. They presented, however, the most undesirable profile: short term profitable investment at high interest rates. With respect to government long-term loans, only Argentina was a possible creditor. With this country, despite the already pending credit, financial bilateral negotiations were under way.¹⁶³ However, as it was already mentioned, Argentine credits could not be used for industrial

¹⁵⁹. AHBE, box no. 3: S/C, 1 June 1948. The Spaniards, however, had melted previously part of the gold which was identifiable as Nazi loot; MAE, Leg. 2309, exp. 2: session of 2 March 1944 of the Interministerial Commission of Treaties. For details on the Safe Haven negotiations from the French viewpoint, see Jean-Marc Delaunay: "La liquidation des avoirs allemands en Espagne (1945-1961)", in Jean-Pierre Etievre and José Ramón Urquijo Goitia: España, Francia y la Comunidad Europea, Madrid [Centro Superior de Investigaciones Científicas] 1989, pp. 219-45. Portuguese assets in the United States were unblocked in September 1948, FRUS, III, note on p. 1002.

¹⁶⁰. Already in July 1946, an operation to feed the country's foreign reserves was the selling of 200 tons of silver in New York and gold in Switzerland; AHBE, IEME, box no. 2: C/A, 24 July 1946. The purchase of 50 tons of ingot silver interested the Chase National Bank of New York at the end of 1947; *ibid*, box no. 3: S/C, 8 November 1947. The selling of silver was about to be suspended in May the following year due to price decrease. The situation in reserves forced the selling; *ibid*, S/C, 12 and 16 May 1948.

¹⁶¹. Catalán's "Los años cuarenta...", *cit*.

¹⁶². MAE, Leg. R. 4618, Exp. 2: "Nota relativa a los problemas que se plantean en la Subsecretaría llamada de Comercio, Política Arancelaria y Moneda", Saint Sebastian, 29 July 1946, probably drafted by the Director General of Economic Policy at the Ministry of Foreign Affairs, Emilio Navasqués, for his Minister. This section deals with the problems posed to foreign economic policy while, for the institutional implications of this document see chapter one, pp. 39 ff.

¹⁶³. Spain had expanded so much foodstuffs supply from Argentina, which accounted in 1947 for 43.6 per cent of total Spain's imports, in particular wheat, that by mid-October 1947, 82 per cent of the credit facilities granted by Argentina in 1946 had been consumed; AHBE, IEME, box no. 3: S/C, 16 October 1947.

purposes. The Swiss only accepted profitable financial operations and it was doubtful whether they could grant any large credit for industrial modernisation. However, it was also evident that they could not step out too much from the general pattern adopted regarding Spain.¹⁶⁴ In such circumstances, there could be no hope on counting on foreign credits to purchase an appreciable proportion of the extra imports requested for the rehabilitation of the Spanish economy and productive capacity (see table 3.6).

TABLE 3.6

INTER-BANK CREDITS AND GOVERNMENT LOANS GRANTED TO SPAIN, 1945-1947

1945	
Société de Banque Suisse	7.5 million Swiss francs
1946	
Argentine Government	
External Redeemable Loan	400 million pesos
Revolving credit facilities	350 million pesos
Bank of Portugal	
Revolving credit facilities	40 million escudos
Credit Suisse	8 million Swiss francs
1947	
Société de Banque Suisse	\$3.5 million

Source: Own elaboration from IEME files. See detailed references at different points in text.

The IEME considered the obtainment of American public credits either in direct form or through the ERP as out of the question.¹⁶⁵ Any financial assistance from the United States, the country able to grant assistance on a scale large enough to serve as a basis for medium-term industrial plans, presented a most undesirable political character. Top American officials, as will be shown in the following sections, had constantly declared that the United States Government was not considering granting any credit to Spain unless a change in its political regime took place. The application for Marshall Aid shows by itself that the Franco regime did not have a *sui generis* adversion to international aid. It was always a matter of the political conditions involved. The official Spanish policy determined to accept credits "when the credit and investment conditions are economic without mortgaging or injuring other national interests."¹⁶⁶ Despite the clear needs of the economy, the Spanish Administration would not accept economic and

¹⁶⁴. Ibid.

¹⁶⁵. AHBE, IEME, box no. 2: C/A, 8 July 1947, and *ibid*, box no. 3: S/C, 16 October 1947.

¹⁶⁶. MAE, Leg. 4618, exp. 2: Note dated Saint Sebastian on 29 July 1946, *cit*.

financial assistance if it risked Franco's political regime. In other words, the Spanish Government would only accept credits free from political conditions.

Spain could only rely, in the main, on its own resources to finance the additional supplies of goods and raw materials required from abroad. Export trade had earned 75.8 per cent of all foreign currency earnings registered by the IEME in 1946, while it had been 66.6 per cent in 1945.¹⁶⁷ Prospect of obtaining either long or short-term international credit was virtually non-existent in the immediate future and other non-commercial earnings of foreign currency could only provide little relief. Imports could only be financed by the equivalent exports, which had then to be fully promoted:

"To alleviate the precarious foreign exchange position and seen that in the near future we cannot count upon any other assistance [the Minister of Industry and Commerce] estimates that there is no other procedure than to stimulate exports."¹⁶⁸

Spain's main trading feature after its Civil War was a decline of about 50 per cent in trade volume as shown in the following quantum index, which measures changes in the value of trade when effects of price movements are removed:

TABLE 3.7
SPAIN'S QUANTUM INDEX, 1930-1948

	Export	Import
1935	100	100
1944	65.3	41.5
1945	61.6	46.8
1946	50.8	51.8
1947	53.4	63.3
1948	65.1	69.3

Tena, *op. cit.*, table 8.6, p. 353.

The adverse visible balance, which was so characteristic of the pre-1936 years and masked temporarily by heavy Allied preemptive purchases of wolfram during the world war, reappeared in 1946 and increased still further in 1947 and 1948. Spain's exports could not expand greatly due to the slow recovery of output and the comparatively high and rising

¹⁶⁷. AHBE, IEME, box no. 7: IEME's annual reports for 1945 and 1946.

¹⁶⁸. AHBE, IEME, box no. 2: C/A, 8 July 1947. See also *ibid*, box no. 3: S/C, 16 October 1947.

cost of many Spanish products.¹⁶⁹

The decline in agricultural production (the sector accounted for 67 per cent of pre-Civil War exports) held up any substantial expansion of exports. Without much greater supplies of nitrogenous fertilisers and a wider use of farm tractors, progress toward larger output was bound to be slow. It could only do little more than cover the additional consumption needs arising from the one percent growth of population per annum. The contribution of raw materials (chiefly minerals) to exports, important during the war due to price increases (31 per cent of total exports in 1940-1944), progressively declined from 1944 as result of the fall in home production and foreign prices. Iron ore and pyrites, at the time two of Spain's most important basic industries and traditional exports, were producing below the 1935 level, leaving little margin for increasing the exports in the field. The downward trend of mineral production, with a few notable exceptions, could only be reversed by a rise in productivity levels via reequipment. The suspension of trade with Germany and France, after the end of 1944 and the beginning of 1946 respectively, imposed important limits to the degree of recovery of Spanish export trade. Both had been important traditional export markets for Spain. Before the Civil War, Germany and France were Spain's second and third largest consumers, taking 25 per cent of Spanish exports. The commodity composition of Spanish export trade, dominated by agricultural produce, reduced her capacity to replace traditional export markets. It was then believed that an effective promotion of exports, following the rise of purchasing power in Europe, went necessarily through a promotion of manufactured goods, in particular textiles, chemicals and goods from the coal and steel industry. Manufactured goods, headed by textiles, had made a striking advance aided by the keen demand created by world shortages. Compensation for the diminution in traditional exports had partially come from this side. It remained to be seen, however, how Spanish textiles and many other manufactured

¹⁶⁹. For remainder of the chapter it is important to bear in mind that not all trade earned foreign exchange. Undetermined percentages of Spain's export trade took place on the basis of a barter system of exchange or diverted exchange earnings to the black market. This percentage of trade is unimportant for the purpose of this section because it could not be channelled to finance the Import Programme. The reader should also consider that the IEME recorded trade involving foreign exchange operations. Those commodities imported on the basis of credits (the total imports of cereals from Argentina in 1946) or through a barter system of exchange (Chilean nitrate) are, therefore, excluded.

goods were to fare when price again became a deciding factor on world markets.

The high price of domestic raw materials was a main obstacle to the development of some competitive industries and hampered the sale of the export surpluses. When at the beginning of 1947 the IEME announced that new possibilities to place manufactured goods in foreign markets existed, requested larger imports of raw materials to keep production prices as low as possible.¹⁷⁰ The first alarm bells rang in the spring/summer of 1946 when the constant decrease in the position of foreign currency reserves revealed the weak potential of Spanish exports.¹⁷¹ The export expansion expected for 1946 had not taken place. The lack of recovery of some traditional markets, in particular Germany, was considered partially responsible. However, the major obstacle was perceived to come from the inflationary tendency of the domestic market. Discounting rationed commodities, Spain's wholesale prices by May 1946 increased between 200 to 300 per cent compared to 1939.¹⁷² Spain could not hope forever to place high-priced exports on the European markets. Moreover, the very remunerative prices obtained on the domestic market made exports unattractive. Transitory measures concerning individual commodities (export subsidies combined with import surcharges) could only be considered a prelude to more general measures.

The reports favoured some reforms to activate trade but a straight-forward devaluation was not recommended. Its possible inflationary effects were most feared. It was also believed that sterling convertibility would have a positive effect on Spain's balance of payments, making unnecessary, or at least postponing, any decision on the matter. The IEME authorities considered that the increase in prices affected a limited range of products. The important decreases that had taken place between 1945 and 1946

¹⁷⁰. AHBE, IEME, box no. 7: IEME's annual report for 1946, dated 25 April 1947, p. 3.

¹⁷¹. AHBE, IEME, box no. 117 bis: "Disminución de exportaciones" by Florencio Sánchez, Chief of the Export Service at the Ministry of Industry and Commerce to the General Director of Trade, 10 May 1946; *ibid.*, box no. 66: "Consejo de Economía Nacional, Nota sobre la balanza de pagos en relación con la situación económica en general" by Antonio de Miguel, n/d, probably May 1946; *ibid.*, box no. 2: the Minister of Industry and Commerce at C/A, 28 March and 24 July 1946; MAE, Leg. 4618, exp. 2: Note dated Saint Sebastian, 29 July 1946, *cit.*

¹⁷². AHBE, IEME, box no. 117 bis: "Disminución de exportaciones", *cit.*

in traditional commodities, such as hazelnuts, almonds, mercury and iron ore, were not always linked to price effects. The decrease in mercury exports was attained as other sources of supply recovered and iron ore exports fell because of local output levels. The fall in exports was considerably balanced by increases in olives, cork, textiles, oranges, wine and the reappearance of tomatoes and bananas. Spanish exports appeared to continue to benefit from the discrimination against hard currency which followed the collapse of the sterling convertibility and the desire to improve diets. Rather than resort to devaluation to redress the situation, the Spanish Government adopted a variety of expedients as an indirect specific corrective mechanism to the exchange rate. Compensation, combined accounts, some ad hoc subsidies and compulsory export quotas (for cotton textiles, olive oil and lead) appeared sufficient for the purpose of promoting exports.¹⁷³

The compensation system allowed exporters of some industrial commodities, using raw or semi-manufactured goods scarce on the domestic market, to import duty-free a given quantity of goods necessary to produce the commodity previously exported. The system attempted to favour exporters via imports at prices lower than domestic supply to increase their international competitiveness. Combined accounts allowed exporters (especially of industrial goods) to retain part of their exchange earnings in order to import goods directly related to their productive activity. The compensators imports could be authorised up to the value of either 34, 50 or, in some exceptional cases, even 100 per cent of the goods exported, the exact percentage calculated to cover the loss suffered on the exports.¹⁷⁴ The condition was that the account gave a general profit never lower than 66 per cent of the total value of exports under the combined operation, 25 per cent of which ought to be in hard currency. The system was originally designed to free export/importers from strict dependence upon IEME. The weight exercised by pressure groups turned it into an indirect subsidy of the export concerned. The exporter covered

¹⁷³. A package of measures was adopted on 30 August, Ministerio de Industria y Comercio: Disposiciones legales sobre operaciones de comercio exterior (Admisiones temporales, repatriación de divisas, cuentas combinadas y exenciones arancelarias), 2nd ed., Madrid [Gráficas Larra] 1947.

¹⁷⁴. In Italy a similar measure applied to 50 per cent of the foreign exchange earned by the exporter; Paolo Savona: "La stabilizzazione monetaria in Italia e il Piano Marshall", in Aga Rossi (ed.), op. cit., pp. 181-88, p. 182. Strong criticisms of the measure were formulated in terms that the benefits of the export boom ended in the exporters' pockets rather than in increasing the country's reserves.

any loss he might have suffered as a result of exporting goods below cost by importing certain goods on which he could recoup his loss owing to the difference between Spanish and world prices. The system has been strongly criticised by most authors. However, criticism does not correspond in proper terms to the system itself (adopted in several other Western European countries at the time), but to the conditions of the domestic market which distorted it, making a caricature of the original intentions out of it.

Trade performance in the first half of 1947 was disastrous. The first seven months of the year accounted for 66 per cent of the accumulated deficit since 1945. Although unbalanced trade constituted a traditional feature of Spain's foreign sector, now it appeared as most dangerous, because the country's reserves of foreign exchange were unable to finance any large deficit. An increasing number of Spanish export commodities, it was said, had reached price levels which, at the official rate of exchange, placed them at a crippling disadvantage on world markets. If, in 1946, only few exportable commodities were affected to an important extent, in 1947, production costs of some of the major export items rose, making exports increasingly difficult, unless prices below cost were accepted. Woollens, it was argued, were offered at prices 60 per cent above world prices; cotton textiles, nuts, onions, lead, wines, canned fish, wolfram, raisins at 50 per cent; oranges at between 40 and 60 per cent; olives at 40 per cent; sherry, grapes, brandy, bananas, minerals and cork at between 20 and 30 per cent. During 1947 it was estimated that exports of cotton textiles, wines, cork, rosin and brandy would only reach 60 per cent of the 1946 level. Some citrus fruits, apricots, bananas, canned goods and iron minerals would only reach 50 per cent of the 1946 level, while olives, skins and turpentine would only reach 30 per cent. The only products Spain could export at international prices with benefit for the exporter were basically, olive oil, tomatoes, potash and iron pyrites. In these circumstances, the different expedients did not give the desired results creating many complications and inequalities of commercial return and treatment without building up exports on a firm and permanent basis.¹⁷⁵

Different sectors within the Spanish Administration favoured devaluation to

¹⁷⁵. Paragraph based on AHBE, IEME, box no. 3: S/C, 16 October 1947.

remedy the situation and proposed even an 85 percent devaluation vis-à-vis the dollar.¹⁷⁶ There seemed to be no more opportunity for transitory measures. The measures adopted in August 1946 and subsidies were considered by the IEME as obstacles to a normal development of trade "acceptable only at a given circumstance" and to be abolished as soon as possible.¹⁷⁷ Subsidies could only work efficiently exceptionally. They had no flexibility to adapt prices to the changing conditions of international markets. Furthermore, a subsidy system extended to most export commodities would find it most difficult to raise enough money, apart from the risk of general retaliation.¹⁷⁸ Combined accounts did not produce the expected results due to the permanent lack of supply to the internal market. The trading system adopted in the summer of 1946 neither promoted exports nor gave satisfaction to the internal market. Its main results were an increase in import prices, an acceleration of the inflationary rate and speculative financial operations with its direct reflection on the weakening of the peseta on the international exchange markets. If the different commercial practices amounted, in essence, to partial devaluation, was it not a more sensible option to devalue, thereby side-stepping many administrative and obstructionist procedures?

Devaluation would have certainly helped Spanish exports in the long term. The problem, however, was to determine its short-term effects on the supply side and its capacity to finance, in particular, the immediate commercial deficit. Pent-up demand would ensure a high level of imports, and their higher-price (because of the lack of reserves) would immediately raise the import bill. This, it was feared, would speed up the

¹⁷⁶. Ibid, containing a report presented to the Council of Ministers, via the Minister of Industry. The report was signed by all the IEME S/C members: Emilio Navasqués, Under-Secretary of Foreign Economy and Commerce; Mariano Yturralde, Director General of Economic Policy; Luciano Albo, Director General of Commerce and Tariff Policy; Juan Fernández Casas, Director General of Banking and Exchange Stock; Manuel Vila, Assistant Director General of the IEME; Alejandro Bermúdez González, Secretary of IEME; and the IEME Chairman Blas Huete.

¹⁷⁷. AHBE, IEME, box no. 7: IEME's annual report for 1947.

¹⁷⁸. AHBE, IEME, box no. 3: S/C, 19 May 1947; and *ibid.*, box no. 2: C/A, 8 July 1947. The chief commodities to which subsidies applied were cork and almonds. The funds derived largely from an *ad valorem* surcharge of 30 per cent and, in few cases 70 per cent, on imports of items of Class V (machinery) of the Customs Tariff. Generally speaking, the Spanish authorities were reluctant to subsidise exports directly and preferred, whenever possible, to have recourse to the indirect subsidy under a combined account operation.

inflationary tendency of the internal market, which would reduce in the short-term the price advantage supposedly obtained by export commodities from devaluation. The Spanish economy was starving for imports and no further restriction (even temporary) was possible. Spanish imports were essential to feed the population and to avoid strategic bottlenecks, the minimum the Spanish economy could afford to avoid a collapse. The supply of the domestic market in the short-term (even on a day-by-day basis) remained by far the most important concern of the Spanish Government. An economy characterised by a conglomeration of bottlenecks could not forego any temporary diminution of imports.

Without any substantial foreign assistance and, in the absence of hard currency reserves to finance the Import Programme's minimal requirements, to follow an 85 percent devaluation -as was requested-, meant that Spanish 1946 exports had to expand by 243 per cent. Could it be assured that Spanish exports would automatically expand sufficiently enough to cover the import bill? After the first three months of the year a drastic change in the country's export trade was observed. A general stagnation in traditional exports had taken place. International demand was perceived as increasing the pressure on the import of capital goods. In fact, the results at the end of the year (regarding foreign exchange earnings exclusively) confirmed this (see table 3.8).

TABLE 3.8
EARNINGS OF FOREIGN EXCHANGE BY EXPORT COMMODITY GROUPS
(in pesetas)

	1946	%	1947	%
Agricultural comm.	31,623,527	70	32,413,665	57
Raw materials	4,381,592	10	7,707,112	14
Manufactured goods	9,240,219	20	16,258,802	29
of which textiles	2,474,093	5	11,245,573	20

Source: AHBE, IEME, box no. 7: IEME's annual report for 1947.

Spain's imports could be broken down into about eight hundred commodities of industrial and manufactured goods, most of them indispensable to the development of domestic industry. These imports needed to be financed mainly by exports of perishable foodstuffs (mainly fruits, wine, alcoholic beverages and olive oil). The Spanish Government had little hope that lower priced exports, more than 50 per cent of which were non-essentials, would increase in the short-run. Most Western European countries had fostered domestic production, imposed import restrictions and distorted trade in agricultural commodities,

which affected semi-luxuries such as lemons, preserved vegetables, sherry and grapes. Decreasing international demand for agricultural commodities prevented expansion in the volume of the main category of Spanish exports with the consequence of diminishing export returns. Spain's second biggest export trade sector, raw materials, minerals in particular, ran counter the exhaustion of the mineral richness of the soil. With agricultural exports facing difficulties, once immediate relief had passed, the export of industrial products seemed to offer the only way of achieving the supplies required. The structural modification of Spain's export commodity composition was a long-term task. Devaluation, it was feared, would have a negative direct effect, via higher-priced supply of raw materials, on what appeared the most dynamic export sector, manufactured goods (mostly textiles). Until the national economy overcame specific import bottlenecks, thereby raising efficient production, there would be no solution to Spain's export trade. Devaluation unsupported by outside financial resources was perceived as running counter to the interests of the Spanish economy. The Government relied on the above-mentioned expedients with all their inequalities and administrative difficulties as palliative to the exchange rate adjustment. In the attempt to boost exports without reducing imports, devaluation appeared as too drastic an alternative and was rejected in November 1947 by the Council of Ministers who, in turn, proposed a deflationary policy.¹⁷⁹

The Import Programme could be perceived as the Ministry of Industry's response to inflation from the supply side.¹⁸⁰ It was believed at the time that inflation was caused by the scarcity of consumer goods and crippled industrial plant incapable of turning out the necessary quantities of goods. It was also partly caused by the lack of foreign

¹⁷⁹. AHBE, IEME, box no. 3: S/C, 11 November 1947. Special powers were also taken by the Government on 14 November to promote exports of "national interest" by exceptional measures including compulsion; Viñas et al., op. cit., p. 518. The National Federation of Importers and Exporters agreed with the Government that devaluation was not the best way out. They preferred an extension of the combined accounts as a corrective measure of the exchange rate; *ibid.*, box no. 117 bis: "Informe relativo a las cuentas combinadas", 31 October 1947, cit.

¹⁸⁰. José Antonio Piera Labra, State Commercial Technician soon to be appointed as liaison-official with the American Embassy for the investment of the U.S. assistance, adopted the same attitude to the Ministry of Industry, calling for the participation in the Marshall Plan and the drafting of a reconstruction plan, "Economía española y política económica exterior", Información Comercial Española, no. 348, August 1962 [written in 1947/48], pp. 119-33.

assistance which forced the Spanish authorities to choose an inflationary path to recovery.¹⁸¹ The shortage of foreign exchange produced a shortage of raw materials, obliging manufactures to use expensive and frequently inadequate local substitutes and to cover their demand by recourse to the black market at exorbitant prices, thus inflating costs. Shortage of equipment resulted in continued re-use of obsolescent machinery which raised the cost of manufactured goods. The Import Programme aimed at the recovery of the broken-down industrial plant, based on foreign assistance, so as to create an industrial plan able in the future to mass-produce a flow of consumer goods. Any other action on the demand side, the end to large and persistent government deficits, fiscal reforms, rigorous enforcement of direct controls, price-wages pauses and the reduction of military expenditure, escaped the Ministry of Industry's direct attributions.¹⁸²

Short-term inflation was not, however, the primary objective of the Import Programme. The targets selected to remove bottlenecks would add pressure to short-term inflation and the programme was not designed to supply consumer goods to the economy but basic goods to heavy industry. The programme of extensive railway electrification in a time of scarcity of capital and electrical equipment and power shortage could not be conceived as anti-inflationary. It might be for this reason that the Ministry of Foreign Affairs requested \$600 million of interim aid to import consumer and capital goods. That Ministry used the Import Programme's second draft to unofficially present the Spanish

¹⁸¹. Clavera et al., op. cit., p. 242; Bustelo and Gabriel Tortella-Casares: "Monetary Inflation in Spain, 1880-1970", The Journal of European Economic History, no. 1, 1976, pp. 141-50, p. 148; and González, La economía política, cit., chapter two.

¹⁸². Few authors had paid attention to the measures adopted to stabilise the Spanish economy during 1948: i.e. Emilio Fontela Montes: Commerce extérieur et développement économique: L'Espagne, cas particulier, Geneva [Librairie E. Droz] 1962, pp. 37 and 39; Clavera et al., op. cit., p. 146; and Juan Velarde Fuertes: a) "El intento de estabilización económica española en 1947-48", paper delivered at the School of Economics, Universidad de Barcelona, n/d, for which I am most grateful to Professor José María Serrano Sanz who provided me with a copy of the text; and b) "1875-1986: Historia de un proceso de apertura económica al exterior", Política Exterior, vol. I, no. 2, Spring 1987, pp. 91-113. The latter speaks of the "1948 Stabilisation Plan" in an attempt to counterbalance the 1959 Stabilisation Plan. Action to curb the persistent inflationary tendency consisted in a reduction of public expenditure, a rise in interest rates and credit restrictions. It had been the readiness of the banks to provide advances in a buoyant market which had helped to stimulate a sharp rise in prices in 1946. Inflation stopped momentarily in 1948 as did the cost of living index. Prices increased by only 7 per cent when the rise had been 31 per cent in 1946 and 18 per cent in 1947.

request for ERP membership.¹⁸³ Despite the fact that the Ministry of Industry had felt that a cut of almost \$225 million was necessary from the first to the second drafts, the Ministry of Foreign Affairs unilaterally increased the import bill to \$1.051 million. That is, \$375 million over what the Ministry of Industry had already considered difficult to obtain.

The financial situation this section has tried to show -the unfavourable relation between resources and import needs- was a *transitional* as well as a *permanent* situation of crisis. The need to halt the issue of import licenses and payment was a temporary expedient and not the signal that the country was on the edge of collapse. As the new year of 1948 started, new commercial credits became available. The paucity of exchange reserves during 1947 was provoked by the exhaustion of the commercial facilities allowed by the bilateral trade and payments agreements due to the rising demand of imports for higher output. During the second half of 1947 imports climbed to a maximum, while exports showed a progressive incapacity to finance them. The difficult Spanish payments position in current account of 1946 became very disturbing during 1947. The Spanish Administration did not request Marshall Aid to rescue a country on the edge of collapse but to help it to get the dollars they needed for modernisation and development.¹⁸⁴

In January 1948 a Commission was set up to allocate the foreign exchange available for imports. The total resources available for the first half of the year were

¹⁸³. MAE, Leg. 2309, exp. 2: "Memorandum", 15 November 1947.

¹⁸⁴. Credit authorisations were suspended for good commercial reasons. Had it not been so, it was feared, Spain would have been deprived of its only solid base for trading relations: "crédito de buenos y puntuales pagaderos"; MAE, Leg. 2185, exp. 9: "Su nota 22.5.47. Importaciones de carbón y chatarra", Under-Secretary of Foreign Economy and Commerce to the Under-Secretary of Industry, 26 May 1947. An interesting hypothesis, which requires further testing, is that the industrial "boom" taking place in 1948 (a rise in four and a half percentage points over 1947) had its immediate roots in the high import demand taking place in 1947. The highest industrial rate of the 1930s was finally and definitively (after the 1949 recession) reached in 1950. For Spain's industrial index and long-term industrial perspective see Carreras: "La producción industrial española, 1842-1981: construcción de un índice anual", *Revista de Historia Económica*, no. 1, 1984, pp. 127-57, reproduced in *Industrialización*, op. cit., pp. 65-88; "Consecuencias a largo plazo de la Guerra Civil sobre la industria española", *Economistas*, no. 21, August-September 1986, pp. 12-15; and "La industria: atraso y modernización", in Nadal et al., op. cit., pp. 280-312.

calculated to reach Pts 2,071 million.¹⁴⁵ This figure was the result of commercial credits granted through bilateral trade dealings, a few inter-bank credits, plus an estimate of export earnings. The Commission reserved the necessary money to purchase commodities under State trade (tobacco and petroleum products) and to cover the State's financial payments abroad. Both categories amounted to 20 per cent of the resources. The Commission also reserved a special fund (the so-called "incidentals" account), amounting to a further 10 per cent of the total. The Commission, after reducing the total amount of foreign exchange available by 30 per cent, distributed the remaining Pts 1,500 million into seven categories of essential imports (see table 3.9). Annual provisions doubled the amounts available with a very similar allocation by categories.

TABLE 3.9
ALLOCATION OF FOREIGN EXCHANGE RESOURCES, 1st HALF OF 1948
(in millions of dollars)

CATEGORIES	QUOTA	%
Transport	15.6	11.7
Canary Islands#	4.8	3.6
Agricultural Commodities	55.4	41.4
Chemicals and Fertilisers	14.1	10.5
Textile-fiber, paper pulp, wood and dyestuffs	34.6	25.9
Metals, oils, coal, scrap, electric material	9.3	6.9
TOTAL	133.8*	100

Source: AHBE, IEME, box no. 117 bis: "Memorandum relativo al plan de distribución del contingente de divisas para el primer semestre de 1948", 30 January 1948. (*) Out of a total figure of \$137 million (#) The Ministry of Industry and Commerce allocated exchange for imports into the Islands.

Exchange resources for 1948 represented 40 and 60 per cent of the amount of imports required by the Import Programme's first and second drafts, respectively. In relation to the Import Programme, considered as a four-year programme of imports, exchange resources for 1948 were 160 per cent and 240 per cent of the annual import requirements of the first and second drafts, respectively. However, several further qualifications seem immediately necessary.

The Import Programme had concentrated all financial resources on raw materials

¹⁴⁵. AHBE, IEME, box no. 117 bis: "Memorandum relativo al plan de distribución del contingente de divisas para el primer semestre de 1948", 30 January 1948.

and capital goods, while now the Commission had to allocate 41.4 per cent of the available resources to purchase agricultural commodities. Discounting them, the resources available for 1948 amounted to 90 per cent and 137 per cent of the total annual amount of the first and second drafts, respectively. Another major difference is that the Import Programme represented investment additional to the normal trade pattern. Normal trade allocations, which was the case of the Commission in January 1948, could finance the Import Programme only partially. Transport and fertilisers received similar annual allocations: \$32.5 million and \$29.5 (chemicals) while the Import Programme allocated \$36.7 million and \$10 million (exclusively to fertilisers), respectively. On the contrary, basic industries received \$9.2 million while the Import Programme had forecast \$47.4 million for them and tractors as well as machine-tools had disappeared from priority purchasing.

Furthermore important was the fact that while the dollar purchasing programme had assumed massive dollar assistance, now the allocation Committee had to face the problem of distribution of the different inconvertible currencies (see table 3.10).

TABLE 3.10
SPAIN'S EARNINGS BY MONETARY AREAS OF ORIGIN
PROVISIONS FOR THE 1st HALF OF 1948
(in percentage over total earnings)

Pound sterling	31.25
Argentine peso	30.40
Dollar	18.60
Dutch guilder	4.95
Pesetas	3.44
Belgian franc	3.20
Swedish kroner	2.40
Swiss franc	2.00
Danish kroner	1.30
Escudos	1.20
Norwegian kroner	0.53
French franc	0.40
Chilean dollar	0.06
Italian lire	0.05
Moroccan franc	0.02
TOTAL	100

Source: AHBE, IEME, box no. 117 bis: "Memorandum relativo al plan de distribución del contingente de divisas para el primer semestre de 1948", 30 January 1948.

The breakdown of Spain's earnings by monetary area provides a more stressing image of the limited room for manoeuvre of the Spanish Administration in January 1948. Import

requirements were to be distributed by countries according exclusively to currency holdings. Purchases in Argentina of non-capital goods corresponded to 30.4 per cent of total earnings. Only 58 per cent of dollar resources could be used for commodity trade, the rest being necessary to pay financial debts.¹⁸⁶ The sterling area provided greater relief, since only 18 per cent was to be reserved for non-commercial purposes. The amounts of the various kinds of foreign exchange held at any given moment influenced most the Spanish import licensing policy. Licenses were granted for a certain commodity from one country and refused for the same commodity from another, which maybe even offered better qualities or prices, because Spain was then much shorter of the currency of the latter country than that of the first. Prices meant less than the currency in which the price had to be paid. The financial limits of bilateralism, as we will see in the following chapter, constituted the main hindrance to any substantial expansion of trade. Furthermore, it provides the grounds for assuming that Spain's exclusion from the European Payments Union (EPU) represented the most disturbing feature of the country's future relations with the different institutionalised forms of economic integration. Excluding Spain from the EPU meant depriving her of the benefits of a system in which surpluses and deficits were balanced for each country with the whole group of trading partners, rather than with each partner separately.¹⁸⁷

The permanent weakness of the situation this chapter has described -limited financial resources to undertake modernisation attempts- was that the Spanish economy could not, on the basis of the country's own resources, stage major recovery. Foreign trade could only provide the basis for the long-term transformation of the Spanish economy; a slow process which implied a widening of the gap with the most industrialised economies of Western Europe. Within a bilateral trading framework, Spain, as any other country in Western Europe, was forced to purchase non-essentials to obtain the quantities and qualities of essentials from a given country. Token imports were imported at a higher quantity than the import authorities would have allowed, in an

¹⁸⁶. AHBE, IEME, box no. 117 bis: Consejo Regulador del Comercio Exterior, 25th and 26th sessions: "Anejo al memorandum confidencial relativo al plan de distribución del contingente de divisas. Primer semestre de 1948", 30 January 1948.

¹⁸⁷. See chapter five, section four, for a detailed analysis of the question.

attempt to expand imports of essentials.¹⁸⁸ Conversely, the intrinsic aim of bilateral trade agreements -equilibrium in payments between the two countries concerned- meant that once a country surpassed the margin of permissible debt any further imports would have to be paid for in gold or hard currency. Spain's foreign exchange stringency meant that once the always limited commercial credit granted by a given country had been exceeded, imports from that country would have to stop.

Foreign exchange earned by exports increased too slowly to serve as a stable basis for economic modernisation and growth. In 1947, for instance, they only grew by £7.6 million over 1946. Credits from Argentina added some £23 million as extraordinary resources. They could maintain the economy running day by day, with recurrent stop-and-go measures provoked by specific bottlenecks, such as the shortage of energy supply and the inadequate transport system, which required larger investments than the Spaniards could not undertake with unaided resources. Growth would have to keep pace with structural bottlenecks.¹⁸⁹ So progress was being made, and there were signs that, in general, the modest advance was to continue, except perhaps with respect to the development of dollar earnings which suffered most from non-competitive prices. The important point, from a historical perspective, was that the speed of progress was slower from a comparative perspective. A higher industrialisation rate could not be achieved owing to the need to import machinery and raw materials.

¹⁸⁸. One the factors which explains the importance of Spain's commercial relations with the United Kingdom is that the British authorities, in the face of Spain's failure to fulfil its undertakings on the so-called non-essentials, did not implement any retaliatory measure which would have reduced bilateral trade.

¹⁸⁹. Manuel de Torres Martínez's introduction to P. Nyboe Andersen: La política económica en el clearing internacional (Spanish edition of Bilateral Exchange Clearing Policy), Madrid [Aguilar] (April) 1947, p. xix, pointed out that the clearing system could be maintained as long as desired but it could not avoid a constant shortage of foreign exchange and a reduction in trade volumes. De Torres was one of the leading economists at the time who asked for a more liberal economic policy. As professor in the first school of economics opened in Spain he played an important role in the formation of future generations of Spanish economists.

3.5. The Initial Spanish Struggle for ERP Membership

Spain's first official reaction to the British and French joint initiative against Spain was one of pride and feigned ignorance. Protests went to the British and French immediately.¹⁹⁰ The Chargé in Washington was instructed to say, "with discretion and sense of touch and speaking on own account", the following: Spain, always ready for peaceful international collaboration, was less in need of aid than the rest of Europe. It would not accept Marshall aid if it conflicted with its national dignity and sovereignty. Spain had requested nothing and only aimed to be left in peace to continue its path towards "national unity and political perfection" (sic). The Spanish Government would only join the Conference if officially invited, it would never request it, and in case Spain joined the Conference it would only collaborate in economic matters without political compromise.¹⁹¹ Since this attitude certainly did not help the economic needs of the country, the Government changed attitude.

Once the Spanish Government had made clear its official position that Spain would not beg for dollars, the Ministry of Foreign Affairs started to beg for them unofficially. Spanish diplomacy was, however, very ineffective in the initial European phase of the Marshall Plan. The sixteen future OEEC members met in Paris in July 1947 to detail their needs for recovery and the conference, after having set up a Committee of European Economic Cooperation (henceforth CEEC) and several subcommittees, adjourned to await committee reports. On the one hand, Europeans had turned a deaf ear to the Spanish complaints, on the other, American officials' initial response was that the United States Government had voluntarily excluded itself from the Paris Conference so

¹⁹⁰. PRO 371/67869: "Memorandum" by the Spanish Embassy in London to the Foreign Office, 4 July 1947, and MAE, Leg. 3159, exp. 26: Artajo's Cifra no. 340, Madrid, 8 July 1947. The British Foreign Office only agreed to consider the question of Spain joining the ERP if the Spanish Government could argue some advantages for European reconstruction as a whole which could compensate political considerations; MAE, Leg. 2309, exp. 2: Cifra no. 1076 from the Spanish Chargé in London, 30 December 1947. At the end of the year, with an improvement in bilateral relations under way, the FO did have to be rude vis-à-vis the Spaniards when it could be ambiguous enough as to render ineffective any initiative.

¹⁹¹. MAE, Leg. 3159, exp. 26: Artajo's cifra no. 836, Madrid, 18 July 1947.

as not to influence the deliberations, therefore it could do nothing to modify their course.¹⁹² It was up to Spain to improve its image vis-à-vis Western Europe if it wanted to obtain something regarding ERP arrangements.

In the following American phase of the Marshall Plan the major Spanish diplomatic effort was made. The CEEC, which had worked in sessions until 27 September 1947, presented its general report for discussion in Washington. After the first fruitless initiatives, the Spanish Administration outlined a basic array of arguments to convince the Americans of the benefits deriving from Spanish membership. A direct dialogue with the United States seemed to Madrid to have more probability of success than either with France and Great Britain or with the sixteen nations as a whole. The Spanish Government, in their over optimistic interpretation of the possible American position, believed that once the Americans were convinced, they could make Western Europe comply.¹⁹³

The interest of joining the Marshall Plan for Spain was obvious. In economic terms, any international relief was welcome to confront the backwardness of the economic structures of the country. The effect of ERP aid, financing essential supplies of capital goods and raw materials in a world shortage situation and for an economy structurally short of hard currencies, would not have been negligible. In political terms, Spain's ERP membership would have represented the definitive overcoming of international ostracism with the possible withdrawal of the Spanish question at the United Nations and Spain's official return to international politics.¹⁹⁴

¹⁹². Top officials of the European Political Affairs Division at the Department of State, ASMAE, Amb. Parigi, b. 413: "La Spagna e l'organizzazione economica europea", Telegram no. 10183 from the Italian Embassy in Washington, 28 July 1947.

¹⁹³. MAE, Leg. 2418, exp. 33: Note resumé (uncompleted) of an interview between the American Chargé d'Affaires in Madrid, Culbertson, and the Spanish Minister of Foreign Affairs, Alberto Martín Artajo, 23 February 1948. Paul T. Culbertson, the most misspelt name of Spain's diplomatic history, former Chief of the Division of Western European Affairs at the Department of State and head of the Spanish Desk, was Chargé ad interim in Spain between June 1947 and December 1950, when he was replaced by Stanton Griffis, the first American ambassador to Spain after the United Nations' resolution of December 1946.

¹⁹⁴. MAE, Leg. 2309, exp. 4: "Condiciones generales del Plan Marshall y del Plan Bevin", n/s, n/d; presented to the Spanish Council of Ministers on 12 March 1948.

The Marshall Plan was consciously presented by the Spanish Administration in economic terms, as a technical matter dealing with commercial policy. Had it been considered a political issue, it would have been most difficult to find appropriate arguments for Spanish membership. Being a piece of planning about finances and trade, with no other ultimate goals, there was no reason to exclude Spain. This country had satisfied all its financial obligations, granted important credits to some of the participants, whilst it had never received assistance from the United States. Franco declared that this was a valuable record to be considered: "It seems to be better affair to give as gift credits to those who will not pay them, instead of providing normal credits to good creditors."¹⁹⁵ The Ministry of Foreign Affairs also argued that there was no reason to deprive Western European recovery of a possible, although limited, economic contribution from Spain.¹⁹⁶

"If the big powers conserve, as expected, the wise political judgement and they really want to use all the resources for European reconstruction, benefitting at the same time from an important market, they will provide Spain with facilities for its purchases of raw materials and machinery tools to allow it to increase production and contribute with its surpluses to the re-establishment of the economic equilibrium of Europe"¹⁹⁷

Clearly, on the basis of indigenous wealth and resources alone, Spain's contribution would necessarily be a very limited one: initially mineral raw materials, fruit and vegetables, wine and textiles (table 3.11). The Spanish economy, once it had been satisfied concerning the minimal import requirements presented previously in section 3.3, could increase "twofold and even threefold" many of its exports providing an "essential" contribution to the economic recovery of Europe.¹⁹⁸

¹⁹⁵. Franco to the United Press, 27 June 1947, in ASMAE, Amb. Paris, b. 413: "Dichiarazioni ufficiali".

¹⁹⁶. MAE, Leg. 2309, exp. 2: "Memorandum" and "Spain Must Cooperate".

¹⁹⁷. Artajo to Logos News Agency, 4 January 1948, published in Arriba. The latter together with Gómez Aparicio's article published in La Hoja del Lunes, 12 January 1948, represented the official criterion of the Spanish Government, as the Spanish Ambassador in Peru and Culbertson were officially informed, MAE, Leg. 2309, exp. 2: "A.r. Despacho 178 y remite recortes de prensa s/ Plan Marshall", Madrid, 16 January 1948, and MAE, Leg. 2418, exp. 33: Note resumé (uncompleted) cit.

¹⁹⁸. Spain's economic contribution to European recovery could also be exaggerated by propagandists: "A single or unified Europe is impossible without Spain and Europe's permanent recuperation would be blocked until Spain participates in the common effort", Frank Henius: O se ayuda a España

The Spanish Government's reasoning was the mirror image of their post-world war trading experience with Western Europe, as explained in the previous chapter. Their miscalculation was to believe that Spain's limited economic contribution would be perceived as important by Western European policy-makers as it had been in previous years.

TABLE 3.11
SPAIN'S POSSIBLE CONTRIBUTION TO EUROPE'S RECOVERY,
EXPORT PERIOD 1947-1948
(in '000 metric tons)

Iron Ore	1,000	Hazel Nuts	7
Pyrites	1,000	Onions	27
Lead	10	Anchovies	3
Wolfram	3	Canned Fish	7
Mercury	(*)	Paprika	2.3
Potash	50	Tomatoes	125
Rosin	15	Lemons	20
Turpentine	7	Mandarins	25
Cork	83	Oranges	618
Skins	3	Bananas§	18
Salt	1,000	Grapes	8
Olive Oil	40	Brandies**	4,000
Olives§	42	Wine**	26,500
Dried Apricots	3	Cotton fabrics#	110,000
Apricot Pulp§	3.5	Wool fabrics#	11,000
Almonds	20	Rayon#	16,300

Source: MAE, Leg. 2309, exp. 2: "Spain Must Cooperate". (*) "Preponderant share of Western European consumption"; (§) Different figures in *ibid*, "Memorandum": 22,000 tons for olives, 3,000 tons for apricot pulp, and 15,000 tons for bananas; (**) in '000 gallons; (#) in '000 yards.

The Spaniards were unwilling to realise that circumstances had changed substantially. The immediate post-war system of bilateral trade and payments was based on the reduction of dollar purchase to a minimum and the greatest possible diversion of supply sources. Spanish exports could not be considered as dollar-savings when the Marshall Plan was to pour dollars to Western Europe. Spanish exports remained high priced commodities when a recovery in output was finally coming to international trade. Most important, was it necessary to include Spain in the ERP to obtain 27,000 tons of onions or 1 million tons of iron ore? What was then the need for the network of bilateral trade agreements constructed with Spain after World War II? The Allied declarations and the United Nations' resolution of December 1946 did not forbid economic relations with Spain and all Western European countries except France traded with Spain. Whatever the importance of Spanish export commodities to European economic recovery and welfare was, it could

o se hunde Europa, Madrid, 1952, p. 107.

be channelled through bilateral trade.

Since the CEEC's first meeting Spain had concluded commercial agreements with Sweden (17 July 1947, prolonging the 1946 trade and payments agreement), Ireland (3 September), Turkey (8 and 16 September, commercial operations through compensation), the Netherlands (3 December) and Switzerland (17 December, an additional protocol to the 1935 agreement, preceded by an exchange on notes on 22 March).¹⁹⁹ The trade agreement signed with Belgium in February 1946 still remained operative; Denmark did not extend that year its 1941 bilateral agreement, but it was under negotiation; the United Kingdom signed a trade agreement on 28 March 1947, obtaining £10 million as credit from Spain; Italy renewed the January 1946 agreement on 20 June; Norway never suspended its commercial operations through compensation; and Portugal continued to maintain its agreement revised half-yearly (18 January and 24 April).²⁰⁰ Bilateral trade was a form of collaboration which international public opinion did not consider as a favourable sign towards the Franco regime but as a source of welfare for the receiving countries.

The Marshall Plan had, however, an important political dimension which was hard for the Spanish Government to assume. The only political implication of the Marshall Plan for the latter came with the refusal of the Soviet Union, which gave it a strong anti-communist slant. Franco, had constantly declared the official propaganda, had been the only successful fighter against Communism. Spain's international political ostracism was the result of the lasting enmity of countries in which Marxist philosophy strongly influenced governments. From this perspective, the Franco-British Note of 3 July was the result of "violent reaction by the Soviets and leftist press" to Spain's possible inclusion.²⁰¹ The Spanish authorities continuously declared that fifth columns were

¹⁹⁹. MAE, Leg. 2309, exp. 3: Artajo's telegram no. 10 to all diplomatic posts, 22 January 1949.

²⁰⁰. MAE, Leg. 2308, exp. 6: Note by the Under-Secretary of Foreign Economy and Commerce: "Actividad internacional española en el campo económico comercial durante 1947", Madrid, 30 December 1947.

²⁰¹. MAE, Leg. 2309, exp. 3: Cifra no. 45 from Artajo to the Chargé d'Affaires in Washington, 21 January 1948, and "Nota confidencial sobre el Plan Marshall", n/s, n/d; probable date, January 1948.

marching in all over Europe, even in the United States.²⁰²

Spain was presented as a rock against Communism. Franco and all the Spanish political groups, including the overwhelming majority of the clandestine and exiled opposition, were strong anti-Communists and would participate to some extent in anti-Soviet and anti-Communist activities: "Pour l'Amerique -declared an official of the French Quai d'Orsay- l'Espagne est avant tout le seul pays ou il n'y a pas de cinquième colonne communiste".²⁰³ Political vulnerability, the best asset for some countries (France and Italy), were of no advantage to Spain.²⁰⁴ Franco had been too effective in eliminating the Communist danger. A CIA's report argued that although the political future of Spain was unresolved, in the short-term the Franco regime was stable and definitively anti-Communist.²⁰⁵ The updated version of DRUMBEAT considered that only the violent downfall of Franco could lead to Communist influence.²⁰⁶ The anti-Communist sentiment of the Spanish Government led it even to draw an ideological affinity between American goals in Europe and Franco's in Spain.²⁰⁷ In France a wave of industrial strikes initiated in April 1947 and lasted through the year, most intensively after receiving the French Communist Party's support in November. The Spanish Ministry of Foreign

²⁰². Paul G. Hoffmann, future ECA General Administrator, also saw fifth columnists marching in France, Italy and Germany; Peace Can Be Won, New York [Garden City] 1951, p. 28. Many were those who agreed with this vision concerning the United States. Nine days after his speech on Greece and Turkey, President Truman had set up the first witch-hunter body, the Employee Loyalty Review Board, to guard against infiltration by disloyal persons; Charles L. Mee, Jr: The Marshall Plan. The Launching of the Pax Americana, New York [Simon and Schuster] 1984, pp. 71-72.

²⁰³. A Quai d'Orsay record quoted in Pedro Antonio Martínez Lillo: "Una introducción al estudio de las relaciones hispano-francesas (1945-1951)", Madrid, Juan March Foundation, University Brochure, no. 228, 1984, p. 38.

²⁰⁴. Many in Western Europe saw a chance for dollars in the communist hysteria. Pierre Mendès-France, then French executive director of the International Bank, argued as follows: "The Communists are rendering us a great service. Because we have a "Communist danger", the Americans are making a tremendous effort to help us. We must keep up this indispensable Communist scare", in Alexander Werth: France, 1940-1955, New York 1956, p. 351, cit., in Mee, op. cit., p. 234.

²⁰⁵. "Strategic Intelligence Digest: Spain, Armed Forces", 31 July 1947, quoted in Antonio Marquina Barrio: España en la política de seguridad occidental (1939-1986), Madrid [Servicio de Publicaciones del Estado Mayor del Ejército] 1986, pp. 139 ff.

²⁰⁶. "The Current Situation in the Mediterranean and the Near East", 17 October 1947, quoted in ibid., pp. 148 ff.

²⁰⁷. MAE, Leg. 2309, exp. 2: "Spain Must Cooperate", second point.

Affairs presented Spain's *social order* as a conquest in the economic field. All economic factors were under control and "the possibility that a decisive factor in production might fail at the decisive moment" had been eliminated.²⁰⁸ Spain's social order was disliked because it was based upon a repression of the labour movement without equal in Western Europe.

Franco also argued that Spain's strategic position, apart from the factors already mentioned, imposed the need to ease commercial relations between Spain and the United States.²⁰⁹ Early references to Spain's geographical position have been considered directed towards the United States' intentions to insert their attitude towards Franco's Spain within strategic considerations. They would present the early intentions of the Chief of State to move towards a bilateral dealing with the United States in terms of an exchange of military rights against economic assistance.²¹⁰ There is too much eagerness to grasp any reference to Spain's *strategic value* in the attempt to create a comfortable continuum from 1947 to the 1953 Spanish-American agreement for military bases.

The American military interest on Spain's strategic value was low and the political objectives prevailed. In April 1947, an interim report of an ad hoc committee, instructed by the US State-War-Navy Coordinating Committee (SWNCC) a month earlier to investigate the extension of American aid to various countries similar to Greece and Turkey, considered any aid to Spain as "contingent", since "military assistance to the present Spanish Government would be contrary to current US policy."²¹¹ A few days later, the Joint Chiefs of Staff (henceforth, JCS), representing the collective opinion of the military hierarchy, compiled a list of nations which were desirable to aid. Their importance to national security and the urgency of their needs were jointly considered. Spain came after the United Kingdom, France, Germany, Italy, Greece, Turkey, Austria,

²⁰⁸. Ibid., "Memorandum".

²⁰⁹. Franco's declarations to International News Service, 18 August 1947, as reproduced in ASMAE, Amb. Parigi, b. 413: "Dichiarazioni ufficiali".

²¹⁰. Viñas: Los pactos secretos de Franco con Estados Unidos. Bases, ayuda económica, recortes de soberanía, Barcelona [Grijalbo] 1981; and, Brundu, *op. cit.*

²¹¹. FRUS, 1947, I, Report by the Special Ad Hoc Committee to the SWNCC, Washington, 21 April, pp. 727 and 730.

Japan, the Benelux countries, and Latin America.²¹² On 1 May the JCS considered the occupation of Spain by the Soviet Union as the biggest danger in the Mediterranean.²¹³ Few days later, the analysis of the possible Soviet threat against the Iberian Peninsula by the US Joint War Plans Committee concluded that there was no evidence that the Soviets would attack over the following three years.²¹⁴ The system of military base-rights approved by the JCS at the beginning of June 1946, a highly inflated estimate, included the Canary Islands in the section "required (if reasonably obtainable by negotiations, but not absolutely essential to the base system)".²¹⁵ The JCS's revision of the system of military base rights, in September 1947, included a possible base on the Canary Islands as "desired" (versus "required"), if rights at the French Casablanca-Port Lyautey were unobtainable, which was not the case.²¹⁶ Spain was strategically desirable, but not essential.

With respect to Spain's direct contribution to the defence of Western Europe, the country's war capacity was nil.²¹⁷ Notwithstanding this, American military held little doubt that in case of war it would come in on the Western side. José Sebastián de Erice, Director General of Foreign Policy at the Ministry of Foreign Affairs, explained to Paul Culbertson, the American Chargé who had recently replaced Philip Bonsal, that in event of a war with the Soviet Union

"there could not be question as to [the] eventual position of Spain, although the general weakness of the country and its ill-equipped army could force a neutral status or a very

²¹². Ibid., "United States Assistance to Other Countries from the Standpoint of National Security. Report by the Joint Strategic Survey Committee", dated 29 April and attached to the Memorandum by the JCS to the SWNCC, Washington, 12 May, pp. 734-50.

²¹³. "Strategic Guidance for Industrial Mobilization Planning", document reproduced in Thomas H. Etzold and John Lewis Gaddis: Containment: Documents on American Foreign Policy and Strategy, 1945-1950, New York [Columbia University] 1978, pp. 302-11.

²¹⁴. "The Soviet Threat Against the Iberian Peninsula and the Means to Meet it" (DRUMBEAT), dated 8 May, quoted in Marquina, op. cit., p. 139.

²¹⁵. FRUS, 1946, I, Memorandum by the JCS to Marshall, Washington, 7 November 1945, pp. 112-18.

²¹⁶. FRUS, 1947, I, Memorandum by the JCS to the SWNCC, Washington, 9 September, p. 768.

²¹⁷. For the military effectiveness of Spain's armed forces see the previously mentioned Intelligence Division of the War Department, Marquina, op. cit., p. 139.

limited intervention."²¹⁸

Representatives of the regime's high echelons and Franco himself had made declarations along the same lines. Although, the real value of such commitment was more than doubtful, it was believed in Washington that hostility between Spain and the USSR was so intense that Spain could not hope to remain neutral in an East-West conflict.

Europe required economic, political and military stability. The latter was not pressing, while Spain's was not only unnecessary for the economic and political stability of Western Europe but even disturbing, as the debate at the United Nations had shown. Spain's anti-Communism embarrassed the Truman Administration and put the future of its policy towards Europe at risk. The downfall of the Czechoslovakian government, the only democratic government left in Eastern Europe, helped to feed Communist hysteria all over Europe and on Capitol Hill. On the 30 March 1948, the Republican Representative of Wisconsin, Alvin E. O'Konski, succeeded in having the House of Representatives approve an amendment to allow Spain to receive similar treatment to the other Western European countries through Marshall Aid.

"Let us include the country that is the most anti-Communist of any country in Europe at the present time", declared O'Konski.²¹⁹ The latter is the perfect representation of a member of the group of people supporting Spanish demands in Washington: catholic (educated by Jesuits), violently anti-Russia (of Polish extraction), Spain-lover (married to an Irish descendant and enthusiastic hispanist), with the possibility of influencing opinion (Professor of oratory with a seat in the House and owner of a journal and a radio station in Wisconsin). He maintained direct contact with the Spanish embassy in Washington.²²⁰ To give more substance to his request, O'Konski used the

²¹⁸. *FRUS*, 1947, III, Culbertson to Marshall, Madrid, 23 October, p. 1089.

²¹⁹. See the intervention of O'Konski and other representatives in favour of Spain's inclusion in the Marshall Plan in *Congressional Record, Proceedings and Debates of the 80th Congress, Second Series*, Washington, vol. 94, no. 56, Wednesday 24 March 1948, pp. 3521-3. The initial quotation is in p. 3522.

²²⁰. MAE, Leg. 2309, exp. 8: Antonio Cacho Zabalza, Diplomatic Information Bureau (OID) at the Embassy, to Luis María Lojendio, head of the OID at the Spanish Ministry of Foreign Affairs, 2 April 1948.

memorandum drafted by the Spanish Embassy, to which we have referred as "Spain Must Cooperate" and inserted it in the diary of sessions of the United States Congress. The amendment consisted in including Spain under Title I, "European Cooperation Act", section 3, "Participating countries", of the Foreign Assistance Act of 1948.

Initially neither the Administration nor the report on foreign aid by the special committee appointed in the House of Representatives, known as the Herter Committee, which, was among a number of studies undertaken in the United States about the limits of American assistance, specified the geographical scope of the Marshall proposals.²²¹ It was assumed that any country willing to adhere to the conditions and purpose of the bill was to be eligible for assistance. This might have satisfied those who complained about the Marshall Plan being an anti-Soviet Union tool but it did not so with those who wanted the inclusion of Spain.

Spain received the O'Konski amendment, on the anniversary of Franco's military victory, with delirium. The general comment on the Spanish controlled press was that Spain's truth had been definitively understood.²²² The Spanish Minister of Foreign Affairs, who had been prudent and made no declarations to diplomatic representatives, asked for a general mobilization to request Spain's ERP membership.²²³ He was aware that O'Konski had followed the most difficult of the then existing alternatives.

The Spanish Minister of Foreign Affairs, Artajo, had requested the Spanish Chargé in Washington to propose to Spain's friends in Capitol Hill a general reference regarding ERP membership instead of listing the European countries benefiting from ERP aid.²²⁴

²²¹. William Adams Brown, Jr. and Redvers Opie: American Foreign Assistance, Washington [The Brookings Institution] 1953, pp. 149-50. For the activities of the Herter Committee and other special committees appointed by the President and different departments, see *ibid*, pp. 136 ff.

²²². A complete summary of the Spanish press declarations in AD, DE-CE 1945-1960, vol. 371: Telegrams from the French Chargé in Madrid, Hardion, dated on 1, 2 and 3 April 1948 and his Despatch no. 444 to his Minister, "L'Espagne et le Plan Marshall", 6 April 1948.

²²³. MAE, Leg. 2309, exp. 8: Telegram to all diplomatic posts in Western Europe, 1 April 1948.

²²⁴. MAE, Leg. 2309, exp. 2: Artajo's cifra no. 1335, Madrid, 24 December 1947.

This more elastic and general formula would have allowed the subsequent incorporation of Spain. Artajo was aware that the strong political propaganda campaign which had addressed the Marshall Plan with democratic and anti-totalitarian directives would self-defeat any attempt to include Spain by name. In fact, it led to a negative boomerang effect. The inclusion of Franco's Spain in the ERP represented a great risk for the American policy in Europe by providing grist to the Communist mill against the true character of the American economic involvement in Europe. It necessarily led the President and the State Department to re-state their opposition to Spain ending the previous apparent thaw in relation to the inclusion of Spain in the ERP.²²⁵

Previously to the events described above, Marshall had given proofs of his personal willingness to look for a positive solution to the Spanish problem. On 12 January 1948, he replied to a question before the Foreign Affairs Commission of the Congress by saying that "there is nothing in the bill that prevents [Spain's equal treatment]" but it was up to the 16 European nations to take the initiative.²²⁶ Again, at a press conference held on 11 February, the Secretary of State expressed the view that there was no objection from the United States' point of view about Spain joining the ERP, as long as the sixteen ERP nations wished Spain to do so. Marshall's declarations caused strenuous reactions on the part of British Trade Unions and Bevin asked Marshall in the future to avoid any similar declaration if he did not want to put the ERP at risk in its most delicate phase.²²⁷ The vote at the House, by bringing to day light what it had previously been a smooth and careful diplomatic consideration, meant to end the ambiguous position on the matter. This episode, which has attracted the attention of all authors in the field, is presented as representing the division between the State Department and the President, on the one hand, and strong anti-communists and military men, on the other hand. Not exclusively.

²²⁵. I fully disagree with Ahmad, *op. cit.*, p. 79, who argues that the O'Konski incident "was perfectly in line" with American policy towards Spain.

²²⁶. MAE, Leg. 2309, exp.3: "Extract from Testimony of Secretary Marshall before House Foreign Affairs Committee", 12 January 1948, handed by Culbertson to Artajo on 2 February 1948.

²²⁷. See Brundu, *op. cit.*, p. 37; Ahmad, *op. cit.*, p. 78; and *FRUS*, 1948, III, Memorandum of Conversation by Horsey, Washington, 16 February, p. 1026.

The O'Konski amendment showed that many in Washington understood the Marshall Plan unilaterally as an anti-Communist tool, considering neither its whole complexity nor its delicate political mechanism. It was not so much a revelation that many in the United States were not only convinced but desirous of seeing Spain's international rehabilitation. This remained in the bag of wishes. The President and the State Department were perfectly aware that it endangered the delicate equilibrium reached by the sixteen Western European nations in eight weeks of meetings regarding four years of planning ahead. It was obvious that the amendment to the Economic Cooperation Act making Spain eligible to take part in the ERP could not be agreed by the participating nations and it could not, certainly, be imposed upon them by the United States Congress. The prolonged build-up of emotional thinking on the question of Franco Spain could not be wiped away so easily.

The political proportions of the Spanish issue in Europe were unforeseeable. The British Government had made crystal clear that it was politically impossible for them to cooperate with Spain within the ERP. There was no need for a new clash with the Trade Union Congress and the Labour Party when there was nothing to gain and so much to lose, especially in Italy at the time of the elections. Hector McNeil, British Minister of State for Foreign Affairs, speaking in the House of Commons declared that it had never occurred to Britain that Spain could form part of a Western European Union as long as it maintained a totalitarian regime.²²⁸ A "Memorandum by the British Labour Party on European Cooperation within the framework of the Recovery Program", dated on 28 February 1948, declared at point no. 75, that "Spain cannot participate in the work of cooperative unity until its people is freed from the Franco regime."²²⁹ Bevin informed Marshall that the House's decision

"caused serious difficulties in England whilst in Italy it [came] as a terrible shock. The State Department will appreciate all the steps that have been taken in connection with Italy. [...] all the good that had been accomplished has been undone [...] It seems to make the whole Marshall Plan

²²⁸. 447 H.C. DEB. 5 s., Oral Answers, 9 February 1948, p. 25.

²²⁹. MAE, Leg. 2309, exp. 4: Annex no. 1 to despatch no. 278 from the Spanish Embassy in London, 28 February 1948.

It was most desirable to avoid providing any possible ammunition in favour of the Communist electoral campaign.²³¹ The red threat was vividly perceived in relation to Italy. The Communist seizure of power in Prague in February was perceived as able to stimulate a Communist take over in Italy.²³² The United States National Security Council, whose first report was on Italy's prerrevolutionary conditions (NSC 1/1), had hypothesised, previous to the Prague events, that a part of Italy could be taken by Communists.²³³ Franco Spain appeared as a source of weakness to western democracy, the ERP, and the consolidation of a Western European democratic front.

²³⁰. PRO, FO 371/73335: Bevin to Lord Inverchapel, British Ambassador to the United States, London, 1 April 1948; also reproduced as "Aide-mémoire for Marshall" in FRUS, 1948, III, Acheson to the Ambassador in the United Kingdom, Washington, 6 April, p. 411.

²³¹. For action concerning the Italian elections see documentation reproduced in ibid., pp. 765 ff. Literature about the April 1948 elections and the American involvement is rich: i.e. Antonio Gambino: Storia del dopoguerra: Dalla Liberazione al potere Dc, Bari [Laterza] 1978, pp. 484-517; Severino Galante: "La scelta americana della Dc", in Mario Isnenghi and Silvio Lanaro (eds.): La Democrazia cristiana dal fascismo al 18 aprile, Padova [Marsilio Editore] 1978, pp. 172-47; James E. Miller: "L'ERP come fattore determinante nelle elezioni italiane del 1948", in Aga Rossi (ed.), op. cit., pp. 139-47; and, Pietro Pastorelli: La politica estera italiana del dopoguerra, Bologna [Il Mulino] 1987, pp. 123-44. Most recently, excellent material has been published concerning Italy and the great power, in which the connection between American assistance and perceived internal threats is well considered: contributions to Ennio di Nolfo, Romain H. Rainero and Brunello Vigerzi: L'Italia e la politica di potenza in Europa (1945-50), Firenze [Marzorati Editore] 1990. The American role in the Italian policies of economic stabilisation is studied in detail by John L. Harper: America and the Reconstruction of Italy, 1945-1948, Cambridge [C.U.P.] 1986; and, Miller: The United States and Italy, 1940-1950. The Politics and Diplomacy of Stabilization, Chapel Hill [The University of North Carolina Press] 1986.

²³². FRUS, 1948, IV, Marshall to Jefferson Caffery and Lewis Douglas, American ambassadors in Paris and London, respectively, 24 February, pp. 735-36.

²³³. FRUS, 1948, III, NSC 1/2, "The position of the United States with respect to Italy", 10 February, pp. 768-9. For NSC 1/1 of November 1947, see ibid., p. 724. The Spanish Government believed (as Marshall and the NSC) that the Italian elections would lead to either of the following results: a majority vote for Communists or a necessary coalition government which, as happened in Czechoslovakia, would prepare the coup. The Americans were asked by Franco himself to postpone the elections, see Di Nolfo, op. cit., pp. 559 ff. Brundu, op. cit., p. 58, note 14 gives details (taken from Hardion's despatch to Bidault, 6 April 1948) of the military measures supposedly adopted in Spain in case of Communist revolts after the Italian elections. The Prague coup in February and the Italian elections in mid-April served the purposes of official Spanish propaganda that Communism, defeated once in the Civil War, was still threatening Spain, thus justifying some of the excess of domestic repression. After the Communist set-back at the Italian elections, the Government announced future municipal elections, which were finally held on 21 November, to distract public opinion from Spain's renewed isolation.

The French Government had decided, shortly before the O'Konsky amendment, to solve the border conflict with Spain in the name of realism.²³⁴ The Spanish and French Governments agreed to the progressive opening of the border after 10 February 1948 for passengers and postal communications and for mercantile traffic after 1 March. Immediately after the reopening of the frontier, the French Government negotiated a commercial agreement with Spain. Any support to the inclusion of Spain in the ERP would have meant to go too far in terms of concessions to the Franco regime. The hesitations of the French Socialists about the previously mentioned two issues insured that no further positive steps towards Franco's Spain could possibly be made in the name of realism. Any amelioration of relations with the Franco regime could not come through the ERP, a highly political issue, but exclusively through a promotion of trade and other technical questions with less impact on public opinion.

The rest of the participating countries, more or less interested but not committed at all to the matter, had left the British and French to solve the question. The support the Spaniards received from Marshall Plan members was very weak. A most unrealistic view of the different national positions was presented to the Spanish Council of Ministers on 12 March.²³⁵ Despite that the Spanish Government wanted to believe that eleven countries would have actively supported the Spanish request, few countries, Portugal, Ireland and Turkey, had vaguely expressed a pro-Spanish sentiment. Had they decided to propose it, which they did not, their position within the Sixteen was too weak to achieve much. Portugal, which had explicitly declared its support for Spain, proposed nothing at

²³⁴. "Il est claire -said Bidault to the National Assembly- que la décision de la fermeture de la frontière n'a été pas l'objet de tentative d'imitation de la part de personne et qu'on conséquence, le commerce entre l'Espagne et le reste du monde a continué de s'exercer, la France étant la seule exception. Il n'est pas besoin d'être un partisan de la politique dite réaliste pour constater que le préjudice économique qui nous est causé et l'inefficacité de l'exemple, nous imposaient de reconsidérer la question. La prolongation de la situation ne pouvait bénéficier qu'à des concurrents, même amis. Il n'y a pas d'exemple que des sanctions économiques prises par un seul pays sans appui ni concours, aient obtenu un résultat très appréciable. Seuls sont favorisés ceux qui ne prennent pas les sanctions. Nous avons restauré les conditions de présence, que l'économie et le bon sens imposaient." Archives de l'Assemblée nationale, Annales, vol. 14, 5th to 20th March 1948, p. 1657.

²³⁵. MAE, Leg. 2309, exp. 4: "Actitud de los países participantes en el Plan Marshall ante la posible inclusión de España en dicho plan", n/d.

the CEEC's meeting of 16 March.²³⁶ Bevin and Bidault had convinced Caeiro da Mata that although Spain was a "cornerstone" for the community of nations it was inconvenient to suggest it publicly; it was preferable for Spain to send an observer and to let the working parties consider the possibility of importing pyrites and iron ore. Artajo rejected it.²³⁷

In the implementation of the United States policy towards Spain its political effects abroad had to be considered. Western Europe was more important for the United States than Spain and Spain was more important for Western Europe than for the United States. Spain was a highly controversial subject in domestic policies in the United Kingdom, France, the Benelux countries, Scandinavia and (though temporarily) Italy. The different government coalitions and the moderate left would have appreciated, in political and public opinion terms, a quick and happy end to the question. Apart from these circumstances, President Truman did not need pressing on the question of Spain.²³⁸ On the 1st of April, the joint session of the Senate and the House, meeting to produce the final text of the Foreign Assistance Act, rejected the O'Konski proposal. This was done in accordance with the State Department and President Truman. The latter had publicly declared to be "utterly opposed" to making Spain eligible to receive ERP aid and that he hoped the Senate-House joint conference would strike out the mention of Spain in the final bill.²³⁹ The President signed the Foreign Assistance Act on 3 April (Public Law no. 472). For his part, Marshall reassured Bevin that the view of the US Government remained that it was for the European countries setting up the OEEC to decide whether

²³⁶. MAE, Leg. 2309, exp. 5: CEEC, "Allocution prononcée par M. le Professeur Dr. José Caeiro da Mat[t]a, Ministre des Affaires Etrangères du Portugal à l'occasion de la réunion du Comité de Coopération économique européenne, le 16 mars 1948".

²³⁷. Ibid., cifra no. 3456 from Consul at Hendaye (at request from the Chargé in Paris) to Artajo, 18 March 1948, and Artajo to Nicolás Franco, Franco's brother and Ambassador in Lisbon, 19 March 1948.

²³⁸. Acheson wrote: "Truman held deep-seated convictions on many subjects, among them, for instance, a dislike of Franco and Catholic obscurantism in Spain", Present at the Creation, cit., p. 169. Truman has been traditionally considered as "a staunch critic of Franco", i.e. James W. Cortada: Two Nations Over Time. Spain and the United States, 1776-1977, London [Greenwood Press] 1978, p. 217.

²³⁹. MAE, Leg. 2309, exp. 8: Cifra no. 75 from the Spanish Chargé in Washington, 1 April 1948.

or not to include Spain.²⁴⁰

Culbertson informed the Spanish Government that Truman's decision was motivated by a report of the American Ambassador in Rome, James Clement Dunn, on the unfavourable repercussions for the Italian elections. Artajo declared "unbearable not to irritate an enemy -Italian Communism- by maltreating a friend [Spain]".²⁴¹ The Spanish Government believed that had a more decisive action been taken by Congress the President would have been obliged to comply. Madrid sent José Félix de Lequerica, former minister of foreign affairs and skilled diplomat, who had been appointed by the Council of Ministers as Inspector of diplomatic and consular missions in mid-April 1947, to Washington for a two-months inspection on 6 April 1948. He was to organize the so-called *Spanish lobby* in Congress, after the experience of the O'Konski amendment, and act as semi-official Ambassador in Washington.²⁴² Immediately after arrival,

²⁴⁰. Marshall's reply to Bevin's aide-memoire of 1st April, in *FRUS*, 1948, III, the Acting Secretary of State to the Embassy in Spain, Washington, 6 April, p. 412.

²⁴¹. MAE, Leg. 2309, exp. 8: Artajo's Cifra no. 39, 3 April 1948. Dunn's despatch to Truman on 1 April has not been printed. A subsequent despatch is, however, useful: "Italian sensitivity to US moves was strikingly demonstrated in Communist field day and chill among moderate parties occurring when Spain provisionally named by House of Representatives vote as eligible for ERP. Italian Government and moderate left heaved sigh of relief when final congressional action changed this." *FRUS*, 1948, III, Dunn to Marshall, Rome, 7 April, p. 869. Dunn would become Ambassador to Spain between April 1953 and February 1955.

²⁴². On 31 October 1948 Lequerica was placed as head of the Spanish Embassy in Washington until 4 January 1951, when he was officially accepted as the Spanish Ambassador by the United States' Government. Catholic groups, anticommunists, naval officers interested in bases, Truman's critics in the midst of a presidential election and business people (i.e. cotton merchants) were all part of Lequerica's clientele; María Jesús Cava Mesa: *Los diplomáticos de Franco. J.F. de Lequerica, temple y tenacidad (1890-1963)*, Bilbao [Universidad de Deusto] 1989, pp. 254 ff., using Lequerica's private papers. For the so-called Spanish lobby, see the classic work by Theodore J. Lowi: "U.S. Bases in Spain", in Edwin A. Bock and Alan K. Campbell: *Case Studies in American Government*, London [Prentice-Hall International, Inc.] 1962, pp. 265-300, also reproduced in Harold L. Stein (ed.): *American Civil Military Decisions*, Birmingham [University of Alabama Press] 1963, pp. 265-300. As a result of the interest in bureaucratic policy-studies during the late 1960s and the early 1970s, after Lowi's pioneering study, numerous doctoral dissertations were elaborated in the United States on the forces - particularly in the U.S. Congress- bringing about the shift in the official policy towards Spain: Riley William Gilmore: "The American Foreign Policy-Making Process and the Development of a Post-World War II Spanish Policy, 1945-1953: A Case Study", University of Pittsburgh, 1967; General Brent Scowcroft (a National Security Adviser since the Presidency of Gerald R. Ford): "Congress and Foreign Policy: An Examination of Congressional Attitudes Toward the Foreign Aid Programs to Spain and Yugoslavia", Columbia University, New York, 1967; Albert Joseph Dorley Jr.: "The Role of Congress in the Establishment of Bases in Spain", St. John's University, 1969; Arlene

Lequerica, gave his own version of facts concerning the O'Konski amendment. The intervention of President Truman followed upon pressure from the leftist sectors of his party. More influential than the Italian elections, following Lequerica, was Truman's links with the Masonry and his desire not to injure the susceptibility of his party's numerous Jewish supporters. Only a Republican victory in the November elections, he concluded, could reestablish the "era of friendly collaboration".²⁴³ It is important to notice how little attention one of the most important diplomats within the Spanish diplomatic personnel paid to other circumstances than the fight that Jews, Communism and Masonry supposedly deployed against Spain's high Christian destin.²⁴⁴ Judaism, Communism, liberalism, trade unionism, Masory are dumped together as orchestrors of a conspiracy against Franco's Spain. It is even more significant the fact that the Minister of Foreign Affairs sent Lequerica's dispatch to the Presidency of the Council of Ministers for the highest consideration.²⁴⁵

The commercial agreements with France, the United Kingdom and, in particular, Argentina, would undoubtedly provide partial relief of Spain's economic problems but capital equipment and long-term loans were still required for the rehabilitation of Spain's economy. To counterbalance the effects of Truman's declarations, the Spanish Ambassador in Buenos Aires, José María de Areilza, was instructed to end the negotiations under way for a bilateral agreement since September 1947 and proceed to its immediate publication as the Franco-Perón protocol, which was signed on 9 April. The immediate publication of the Franco-Perón Protocol on 4 April, even before it had been signed, had been a useful propaganda device, in particular, at the domestic level, as an

Idol McCown: "Spain and the Spanish Question: External/Internal Sources of Foreign Policy", The American University, Washington D.C., 1973; Ronald Franklin Hadian: "United States Foreign Policy Towards Spain: 1953-1970", University of California, Santa Barbara, December 1976; and, finally, Stanley Byron Weeks: "United States Defense Policy Toward Spain, 1950-1976", The American University, 1977.

²⁴³. MAE, Leg. 2309, exp. 8: Lequerica to Artajo, Washington, 10 April 1948.

²⁴⁴. World conspiracy against Spain was a common feature at that time. This is what an eminent scholar of Spanish history labelled the "police interpretation" of History by the Franco regime, Manuel Tuñón de Lara: "History", in La cultura bajo el franquismo, Barcelona [Ediciones de Bolsillo] 1977, pp. 23-46, p. 26.

²⁴⁵. APG, JE, Leg. 13, no. 4.4: "[Extract] De una carta del encargado de negocios de España en Washington dirigida al Sr. Ministro, con fecha 10 de Abril de 1948".

antidote to Truman's refusal to include Spain in the Marshall Plan.²⁴⁶ It was considered a "little Plan Marshall at indigenous style [*estilo criollo*]", as Perón liked to call it.²⁴⁷

This economic agreement, by far the most important one signed by Spain up to that date, provided new credit facilities over the years 1948-51 for a value of Argentine pesos 1,750 million. The new credit facilities included the 350 million pesos outstanding at the end of 1947 under the old revolving credit. Annual revolving credits were to be opened in January of each year 1949, 1950 and 1951 to the amount of 350 million pesos while 350 million pesos were to be available for use in 1948 with the stipulation that an additional 100 million pesos could be utilised that year, but the same amount would then have to be deduced from the amounts for succeeding years. The interest rate was 2.75 per cent. The credit was to be repayable in the first instance by Spanish exports of industrial materials (steel products, lead, cork, cigarette paper, apart from olive oil and olives). However, the annual adverse trading balance plus the 350 million pesos pending from 1946 were credited to the Argentine Government in pesetas to be used in Spain for a variety of purposes including the construction in Spanish yards and factories of ships, railway material, marine engines and port equipment for export to Argentina. The funds were also supposedly to be used to finance the installation and upkeep of works and buildings needed by the Argentine Government in Spain and in the free port to be established in Cádiz as a transshipment depot for Argentine exports to Europe.

²⁴⁶. This time records and memoirs coincide: MAE, Leg. 2309, exp. 8: Artajo's cifra no. 89 to Ambassador in Buenos Aires, 2 April 1948, and Areilza: Memorias Exteriores, 1947-1964, Barcelona [Planeta] 1984, p. 52. Areilza, future Count of Motrico, came to Franco's attention in 1941 as the coauthor of a book setting out Spain's claims to large parts of France's African empire and to the return of Gibraltar. Areilza was appointed as ambassador in Buenos Aires (1947-1950), in Washington (1954-1960), and in Paris (1960-1964). His diplomatic career reached its highest point when he became Minister of Foreign Affairs in the first Monarchic Cabinet 1975-1976 and was elected President of the Parliamentary Assembly of the Council of Europe in May 1981.

²⁴⁷. Manuel Espadas Burgos: Franquismo y política exterior, Madrid [Rialp] 1988, p. 174. Perón was delighted to defy Truman. For him the bilateral commercial agreement running prior to the Franco-Perón agreement was the complement to the Marshall Plan that Argentina dared to give to the only true anti-Communist country in Europe. MAE, Leg. 2418, exp. 1: Despatch no. 1060 from Areilza to Artajo, Buenos Aires, "Conversaciones con el General Perón en esta Embajada", 30 September 1947. See Perón's schizophrenic ideas on the Marshall Plan in Areilza's despatch no. 267 to Artajo, "S/ Conversaciones con el Señor Presidente de la República General Perón", Buenos Aires, 3 April 1948.

In the short-run Argentina provided the equivalent of US\$200 million credit to cover imports of cereals and other Argentine foodstuffs (such as 3 million tons of wheat, 1 million tons of corn, 8,000 tons of oil). It assured Spain of vital food imports that it would have found it otherwise difficult to finance otherwise. Argentina's credit facilities during the period 1947 to 1949 permitted the purchase of commodities at a value of \$264.3 million.²⁴⁸ The reader should not, however, overestimate the overall importance of Argentina's credit facilities. Imports financed this way during 1947 to 1949 amounted to only 62 per cent of imports in the single year of 1949. Furthermore, the Protocol was not designed, as in previous bilateral agreements, to help to finance the extra imports required to rehabilitate the Spanish economy. These remained matters in which assistance from the United States was necessary.

3.6. Was there an Alternative Course of Action?

Recent literature has assumed that the only alternative open to Spain was that of becoming a respectable democracy within Western Europe. This section will try to show that there was another alternative which might have brought more effective results than the policy then carried out. This second alternative would have consisted of Spain moving towards the abandonment of its economic inward-looking orientation, without immediate political change, had the Americans agreed to extend assistance to Spain. The modification of Spain's political structure would have then been left to blossom from the economic growth speeded up by American assistance.²⁴⁹ It should be recalled that the Marshall Plan was based, among a variety of other things, upon the assumption that economic growth was a precondition for stable and democratic governments. Had this second alternative been followed and had the Truman Administration not subordinated

²⁴⁸. Viñas: "La primera ayuda económica norteamericana a España", in Lecturas de economía española e internacional: 50 Anniversary del Cuerpo de Técnicos Comerciales del Estado, Madrid [Secretaría General Técnica del Ministerio de Comercio] 1981, pp. 49-90, p. 89.

²⁴⁹. This was the alternative then open to Eastern Europe: "There was general agreement [...] that Eastern Europe could participate, provided the countries would abandon near-exclusive Soviet orientation of their economies." FRUS, 1947, III, "Summary of Discussion on Problems of Relief, Rehabilitation and Reconstruction of Europe", Washington, 29 May, p. 235.

economic assistance to prior political transformation, Spain might have anticipated economic stabilisation and liberalisation by a decade.

The Truman Administration renounced the use of its strong bargaining position as leverage to impose political and economic changes in Spain. The initial American policy towards Spain, made explicit by Acheson in April 1947, that only after Franco had been overthrown and replaced with a more liberal government would Washington aid Spain, changed only slightly at the end of the year. The following conversation between Erice and Culbertson reveals perfectly the essence (or lack of any) of the bilateral dialogue: Erice asked Culbertson to be precise about what the State Department meant by "evolution". The American Chargé did not endeavour to correct him by saying that US policy "had not envisaged evolution under Franco."²⁵⁰ However, between November 1947 and January 1948 the State Department had come progressively convinced of the need for normalisation of relations between Spain and Western democracies, particularly the United States.

The PPS proposed some positive action in the Spanish problem. The PPS was established on 5 May 1947 in the office of the Under-Secretary of State to assure the development of long-range policy drawing together the views of the geographical and functional offices of the Department of State and other non-departmental sources.²⁵¹ In October 1947, the PPS perceived that the policy of ostracism had tightened the dictator's rein whilst it impeded the recovery of the Spanish economy. Franco had turned international ostracism into a monster demonstration of domestic support and belt-tightening as the supreme proof of patriotism.²⁵² Washington needed a new policy

²⁵⁰. Ibid., Culbertson to Marshall, Madrid, 23 October, p. 1090.

²⁵¹. Information on the establishment and terms of reference of the PPS is included in documentation on national security policy in FRUS, 1947, I. For organisation of the PPS see George F. Kennan: Memoirs, 1925-1950, Boston [Little, Brown and Company] 1967, pp. 325 ff. and 343; and Acheson's Present at the Creation, cit., p. 228.

²⁵². Raymond Carr: Spain 1808-1975, Oxford [Clarendon Press] 2nd ed., 1982 [1966], pp. 715 and 740. Fernando Vizcaino Casas: La España de la posguerra 1939-1953, Barcelona [Planeta] 1978, pp. 185-88, gives a relaxed account of the popular reaction to support the Caudillo. Franco furiously refused to beg for dollars and in the face of unjust treatment accentuated Spanish bravery: "When a country receives assistance from others in the form of loans or nobel and just financial collaboration, reaches recovery and

toward Spain:

"Thus, instead of contributing to the rapid deterioration of the economic situation, as we are doing at present, we would provide the opportunity for Spain to develop its resources and play a normal part in the revival of world commerce and industry."²⁵³

George F. Kennan, head of the PPS, advised an immediate initial relaxation of official restrictions to normal trade, to be followed, in the short term, by the opening up of the possibility of financial assistance for the rehabilitation of the Spanish economy. The situation appeared clear to Kennan. Depriving the Spanish economy of the benefits of international economic relations could push the country to the edge of disorder and civil strife, an explosive situation bringing no benefit to anyone except the well-organised Communists. Depriving Western Europe of Spain's possible economic contribution, although necessarily a limited one, seemed unnecessary. This famous PPS's report was presented to the newly created National Security Council in December 1947 (as NSC 3) and it was approved by Truman on 21 January 1948. Although Marshall and Truman in essence approved the PPS's recommendation, its real implications were not fully assumed by the State Department.²⁵⁴

The State Department maintained Spanish political and economic housecleaning

equilibrium sooner, when it has to do it with its own means by labour economy and sacrifice, the path is slower but, obviously, worthier since it has the entire Nation contributing directly with its sacrifices to its renaissance. This is the case of Spain." Franco interviewed by the United Press, 27 June 1947; ASMAE, Amb. Paris, b. no. 413: "Dichiarazioni Ufficiali". In view of Spain's exclusion from the ERP Franco maintained that the other nations of the West were not as able as Spain to live by their own efforts; for some, he argued, the Marshall Plan was a matter of life and death, but for Spain it was not indispensable; Franco's declarations to Clarín of Buenos Aires, 8 July 1948, in Textos de doctrina política. Palabras y escritos 1945-1950, Madrid, 1951, p. 263.

²⁵³. FRUS, 1947, III, "U.S. Policy Towards Spain", Washington, 24 October, pp. 1092-95.

²⁵⁴. The only real effect of Kennan's call was an effective modification of the United States' policy towards the Spanish question at the United Nations. When, in mid-November 1947 the General Assembly proposed the reaffirmation of the resolution of 12 December 1946, it failed, in part due to effective opposition from the United States delegation. See detailed accounts in Robert P. Huff: "The Spanish Question before the United Nations", Doctoral Diss., Stanford University, 1966, pp. 342-69; and, Alberto J. Lleónart y Anselm: España y la ONU, vol. II. La << cuestión española >>. Estudio introductorio y corpus documental, Madrid [Centro Superior de Investigaciones Científicas] 1983, pp. 272-306.

as a pre-condition to any modification of the American policy. The recently appointed US Under-Secretary in the State Department, Robert A. Lovett, acting as Secretary of State, informed the Embassy in Madrid that the new policy aimed at normalisation "would be difficult if not impossible without substantial political and economic changes within Spain."²⁵⁵ While the Marshall Plan had opted to restore French and Italian economies at the same time pushing out of Government their Communist ministers, the State Department insisted upon political change in Spain prior to any economic assistance. In other words, Franco Spain's restoration of international *respectability* should precede American relaxation towards the regime.

The Americans adopted limited and insufficient economic measures to help the Spanish economy during the early months of 1948. As a first step towards gradual and unobtrusive relaxation of the then existing trade restrictions, Spain was placed on an equal footing with all other Western European countries with respect to American export controls. The second measure adopted was the State Department eliminating the initial political objections to private credits granted by American banks to private entrepreneurs or the Government. The American Chargé, Culbertson, personally informed the Spanish Minister of Foreign Affairs about the changes in the American policy towards Spain and the specific measures adopted in the economic field.²⁵⁶

The Spanish Government had already been thinking of a three-stage plan to provide American credits to the Spanish economy and now rushed to agree on details. There would be, initially, an agreement between an American pool of banks and the Spanish counterpart, for a short-term inter-banks credit of \$300 to \$500 million with a guarantee of annual supply of certain commodities agreed upon beforehand. The Eximbank would then gather all private credits and enlarge them to a given amount. The total credit line would, finally, reach a maximum with the incorporation of Spain to the

²⁵⁵. FRUS, 1947, III, Lovett to the Embassy in Spain, Washington, 18 December, p. 1096; repeated in the most similar terms by the Chief of the Division of Western European Affairs, Theodore C. Achilles, to Culbertson, FRUS, 1948, III, Washington, 5 January, p. 1017.

²⁵⁶. FRUS, 1948, III, Memorandum of Conversation with Artajo and attached "Notes" by Culbertson, Madrid, 2 February, pp. 1020-24; and, MAE, Leg. 2418, exp. 33: Note résumé (uncompleted) of an interview between Culbertson and Artajo, n/s, n/d.

ERP. A figure of \$1,000 million had been proposed initially by some Spanish officials. Obviously, the Spanish Administration held little hope of accomplishing all three stages, but, had it accomplished just the first it would have been satisfied. The Spaniards thought that the first stage provided a useful basis for negotiation. It was not a public deal, it provided security of investment, unity of action, a sufficiently large amount of money to provide room for manoeuvre and it spared the inconvenience of sporadic private aid while it did not renounce its versatility, elasticity and flexibility. The American diplomatic corps in Madrid were limited to hear, to approve in principle the possibility to present it to Washington and to obtain few guarantees from the Spanish counterpart.

The American commercial counsellor in Madrid, Mr. Randall, the first to be approached on the matter, requested and immediately obtained a twofold guarantee. First, a freer selection of the goods to be exported to Spain and their allocation. Second, given the normal administrative delays in any industrial and commercial deal with any Spanish counterpart, the Spanish pool of banks would obtain beforehand a formal compromise of delivery of licences and goods from the Ministry of Industry. While Randall thought he had obtained a modification of the Spanish economic system, the Spanish officials considered these points to be "without substantial importance".²⁵⁷

Top Spanish civil servants travelled to Washington to visit financial personalities, the Eximbank and the State Department, as the main actors in the three-stage process.²⁵⁸ They received the same response from all their American interlocutors: no long-term credits were granted by US banks, apart from oil companies, American private capital was

²⁵⁷. Previous two paragraphs based on APG, JE, records from the Ministry of Foreign Affairs, Leg. 13, no. 1.5: "Acuerdo entre un grupo de bancos españoles y otro de bancos americanos que facilite a los primeros un crédito de 300 a 500 millones de dólares a un plazo de cinco años", attached to Memorandum of conversation with Mr Randall, 29 January 1948, and, MAE, Leg. 10077, exp. 26: Emilio Navasqués, Director General of Economic Policy at the Ministry of Foreign Affairs, to Artajo and Suanzes, Madrid, 12 February 1948, giving account of a meeting he held with the Director General of Commerce and Tariff Policy at the Ministry of Industry and Commerce, Mariano Yturralde, Culbertson, Randall and the Chief of the Spanish Desk at the Department of State on a visit to Madrid, William Denham.

²⁵⁸. MAE, 2418, exp. 33: "Informe reservado a petición del señor Martín Artajo. Impresiones de un viaje a Norteamérica, 9 de Marzo-1 de Abril" [1948], n/s, n/d, giving account of the conversations held by José Fariña, executive of the Banco de Crédito Local and the diplomats Francisco Elorza and Luis María Lojendio.

not interested in investing in Europe, and long-term credits required prior political approval through Eximbank intervention. The Eximbank's Chairman stated that his bank was unable to consider any proposal from Spain. The State Department repeated that no economic help would be possible without a clear movement in the direction of greater political liberalisation. There was, thus, no other way to obtain short-term private credits than to offer gold as collateral and, as a result, private credits were granted in extremely limited amounts due to the lack of gold as collateral and previous economic springcleaning which could have made investment attractive.²⁵⁹ Uncoordinated piecemeal private short-term credits could not, however, serve as a stable basis to redress the Spanish economy. Moreover, they were likely to have no effect on economic policy and certainly none on the political course of the Spanish Government. The measures adopted by the Truman Administration did not help to unblock the problem of raising the productivity of Spanish industrial plant, leaving unresolved the country's dollar shortage. Spanish production would continue to be internationally uncompetitive until a large range of competitive goods could be incorporated into its production lines. It was a straightforward vicious circle that could only be broken by an infusion of investment.

The lack of Spanish recovery and modernisation continued to be the chief obstacle to any increase in bilateral trade. The State Department, however, contemplated neither direct nor indirect governmental financial assistance to Spain. The US Government would not participate in credits extended by private US firms to Spanish private or public firms, nor extend Eximbank's credits, the only measure which could provide any large injection of capital with practical effects in the economy.

"The Department would be glad to consider it as and when the regime gives concrete signs that it has the intention of moving toward greater democratic and economic efficiency and that it has begun to do so."²⁶⁰

American material assistance to Spain was, thus, conditional upon *convincing* evidence of economic and political liberalisation.

²⁵⁹. Before 1950 only a \$25 million revolving credit was granted to Spain by private banks in the United States; see chapter four, table 4.1.

²⁶⁰. FRUS, 1948, III, Achilles to Culbertson, Washington, 5 January, p. 1018.

On the economic side, it meant that Spain had to reform its economy drastically.²⁶¹ Immediate stabilisation, as the Americans asked, could only come with a relaxation on the supply side. Excessive intervention and the priority given to the public sector in import allocation were presented by the Americans as the reasons for the limited flow of American private credits to Spain. The answer from the Spanish officials was immediate:

"It is precisely the scarcity of financial resources to purchase the supply required by the Spanish economy that imposes intervention. The latter is not a whim but a necessity. As financial resources improved formulae similar to those in practice in other countries would be looked for."²⁶²

They argued that the extreme features of the Spanish import licensing policy were a consequence of the fact that Spain was able to earn only a part of the foreign exchange needed to meet its essential import requirements. The Spanish Minister of Foreign Affairs declared that the Spanish Government agreed with a liberalisation of its economic policy, although it requested previous financial commitment.²⁶³ Franco declared to Truman's special ambassador to the Vatican, Myron C. Taylor, early in March 1948, that there was no obstacle in principle to a reduction of State intervention in the economy if the necessary financial backing was granted.²⁶⁴ Without the latter, Franco saw the risk of a situation similar to that of Italy and France, where Communists were free to instigate

²⁶¹. The Americans held a long list of economic complaints: APG, JE, records from the Ministry of Foreign Affairs, Leg. 13, no. 1.5: Memorandum of Conversation with the American commercial counsellor Randall on 29 January 1948, n/s, n/d.; MAE, Leg. 10077, exp. 26: "Short reference of the interview of Monday March the 8th", presented by Culbertson to the Ministry of Foreign Affairs; the following documents sent by Culbertson to Washington: Memorandum of Conversation with Artajo and attached notes, dated 2 February, and, despatch to Marshall, dated 13 June, in *FRUS*, 1948, III, pp. 1020-25 and 1037-38, respectively; and, MAE, Leg. 2418, exp. 33: Note sent by Culbertson on 25 June 1948 on obstacles to economic and financial relations.

²⁶². APG, JE, records from the Ministry of Foreign Affairs, Leg. 13, no. 1.5: Memorandum of conversation with Mr. Randall, 29 January 1948.

²⁶³. MAE, Leg. 10077, exp. 26: "Short reference of the interview [Culbertson/Artajo] of Monday March the 8th".

²⁶⁴. As informed the Italian Embassy in Madrid, on 3 April 1948, ASMAE, Amb. Parigi, b. 413: "Spagna: Piano Marshall", *telespresso* no. 12/4943 to several Italian embassies, 4 May 1948. In the memorandum of his conversation with Franco that Taylor sent to Truman on 1st April, this aspect was not mentioned; see document no. 313 in Ennio Di Nolfo: *Vaticano e Stati Uniti 1939-1952. Dalle carte di Myron C. Taylor*, Milan [Franco Angeli Editore] 1978, pp. 557-58. This was Taylor's first post-1945 mission to Madrid, which he had previously visited during the world war as Roosevelt's special representative.

the revolutionary virus.

Real international financial backing was required prior to any reform of the Spanish economy. Did the CEEC report not argue that "effective stabilization measures could only be adopted after external aid commenced and production substantially increased"?²⁶⁵ In the analysis of the economic advantages to be derived from Spanish participation in the Marshall Plan, presented to the Spanish Council of Ministers on 12 March 1948, "financial and monetary stabilisation" were argued to be possible.²⁶⁶ This was not the aim of an individual civil servant, but the conclusion of the Spanish Council of Ministers. A few months later Culbertson explained to Marshall that the Spanish economy was

"largely the result of an attempt to cope with relative isolation plus certain official preference for controlled economy. If Franco can see [his] way out of that isolation, corrective measures to the present policies [were] quite possible."²⁶⁷

In August 1948, the semi-official Spanish Ambassador in Washington, Lequerica, deprecated the need for any political change, but argued that "economic changes [were] desirable and possible."²⁶⁸ Unfortunately, the Spanish Administration had no opportunity to be more explicit since exclusion from the ERP and the permanent rejection by the

²⁶⁵. FRUS, 1947, III, American Ambassador in France, Jefferson Caffery to Marshall, 12 September, p. 426. The original CEEC report's final section suggested that financial stabilisation was to be postponed until aid had been received and output had increased. After the American intervention in September 1947 the CEEC's general report, vol II, 4th point, was explicit that no country could expect aid without stabilising the economy. CEEC: General Report, 2 vols., London [HMSO] July-September 1947. See also Enrique Rodríguez Mata: "El Plan Marshall y la política económica internacional", Moneda y Crédito, September 1947, pp. 31-47, presenting a summary of the CEEC report.

²⁶⁶. MAE, Leg. 2309, exp. 4: "Condiciones generales del Plan Marshall y del Plan Bevin", n/s, n/d, presented to the Council of Ministers on 12 March 1948, 4th and last point under economic advantages that would have derived from Spanish ERP membership. Viñas et al., p. 476 when dealing with this same document did not mention the possibility of economic and financial liberalisation while they focussed on other minor points. In their desire to stress the autarchic nature of the Spanish Government, they canceled any possible evidence of the efforts to open the Spanish economy if foreign assisted.

²⁶⁷. FRUS, 1948, III, Madrid, 13 June, p. 1038.

²⁶⁸. Ibid., Memorandum by Achilles of Conversation with the unofficial ambassador in Washington, José Félix de Lequerica, Washington, 25 August, p. 1047.

American Administration of off-ERP aid made economic stabilisation in Spain unattainable in the short term.

One might have expected that a first point of confrontation between Spaniards and Americans would have arisen from the fact that the Import Programme certainly did not aim at a restoration of the role of the private initiative but the reinforcement of public enterprises and the role of the public sector. The INI was getting an excessively large share of the limited foreign exchange available for the import of essentials and the Import Programme aimed at extending this situation to American aid. The reduction of State interference in private enterprises, especially through the INI, Artajo explained, was a "situation [that] could be worked out".²⁶⁹ The opinion at that time of the Minister of Industry and Commerce and, at the same time, President of INI on the question is unknown to me. However, Suanzes declared (before and after these events) that the Institute's intention was to supplement and not to supplant private capital and that, where appropriate, the State attempted to withdraw from their own industrial creations as soon as circumstances would have allowed it to complete its mission in each case.²⁷⁰ There seemed to be little problem in reaching an agreement about how assistance might have been invested, despite the clear State public priorities of the Spanish Administration, as long as the assistance was real.

The only straight negative coming from the Spanish side was political *liberalisation*. The Spanish Administration agreed to collaborate with the United States in every way as long as they left the Spanish Government to run their own political house. Franco explained to the American Chargé that the Spanish Government resented political ostracism but that "they [were] not now going [to] modify politically in order to

²⁶⁹. *Ibid.*, Memorandum by Culbertson of conversation with Artajo, 2 February, p. 1021-22.

²⁷⁰. Suanzes: a) Instituto Nacional de Industria: notas en relación con la creación y desenvolvimiento de este Instituto, Madrid [INI] 1941, p. 13, and b) The Spanish Commercial and Industrial Policy, cit., pp. 14-67. He was considered by the US State Department as the "principal obstacle" for a change in economic policy in Spain; FRUS, 1948, III, Memorandum of telephone conversation with James Forrestal, U.S. Secretary of National Defense, by the Assistant Secretary of State for Political Affairs and former ambassador to Spain (March 1945 to December 1945), Norman Armour, p. 1030. Suanzes is qualified unanimously by the majority of scholars as the principal designer of Franco Spain's autarchic industrial development.

obtain these ends."²⁷¹ The Spanish Government argued that the international community had not appreciated previous attempts to provide a more democratic and liberal political structure undertaken since the end of the war. The Charter of the Spanish People, promulgated in 1945, in principle enumerated the rights and responsibilities of the Spanish citizens and their relationship with the State. In July 1945 Franco had reshaped the political composition of the cabinet by replacing phalangist leaders with representatives of monarchism and Catholicism. The Referendum Act of 1945, conceived as a means to allow citizens to collaborate in the governing process, was employed in 1947 to ratify the Law of Succession and the lengthy statement of intentions which constituted the Labour Charter. 1946 and 1947 opened with Spanish diplomatic representatives protesting that the harder Spain worked to liberalise its government the more the Allies complained.²⁷² Most recently, regardless of the merits of the Law of Succession in filling a constitutional lacuna, it did not persuade Anglo-Saxons about future political liberalisation.²⁷³

The reality was that Spain gave no grounds for thinking that its regime intended to evolve, however gradually, in a more liberal direction. The Spanish Government showed no signs whatsoever of envisaging an enlargement of civil and political liberties. On the contrary, the whole emphasis in official pronouncements, including those of the Caudillo himself, was laid on the immutability of the order of things in Spain and the superiority of its institutions compared to those which existed in other countries. Indeed it is evident that, by the very nature of its totalitarian structure, the Franco regime could not admit constitutional modifications of a liberal kind without endangering its own

²⁷¹. MAE, Leg. 10077, exp. 26: "Short reference of the interview of Monday March the 8th", presented by Culbertson to the Ministry of Foreign Affairs, and, FRUS, 1948, III, Culbertson to Marshall, Madrid, 24 March, p. 1029.

²⁷². FRUS, 1946, V, the Spanish Ambassador in Washington, Juan F. de Cárdenas, to Secretary of State James F. Byrnes, 5 January 1946, pp. 1027-30. The Minister Martín Artajo, whose initial task was precisely to win international respectability, complained in January 1947 that the resolution on Spain, adopted by the General Assembly of the United Nations on 12 December 1946, had aborted the path towards political liberalisation, FRUS, 1947, III, Memorandum of Conversation by the Chargé in Spain (Bonsal), Madrid, 2 January, p. 1053. Bonsal added that "the attitude generally prevalent in the Cabinet at present is that nothing which the regime could conceivably do internally would be apt to improve Spain's international position."

²⁷³. Acheson, in reply to a question at a press conference on 4 April 1947, stated that the establishment of a Regency Council in Spain did not change the United States Government's attitude concerning Spain at all; FRUS, 1947, III, Bonsal to Marshall, Madrid, 1 April, pp. 1065-66, note no. 2.

existence. Any such danger was resisted to the last ditch. Spain could only move toward what has subsequently been labelled as the "constitutional cosmetic of authoritarianism" where Franco remained as domineering as ever.²⁷⁴

Literature has interpreted the little efforts to adopt democratic institutions as the result of Franco's conviction that the Western bloc needed him and had to accept him as he was. This could be supported, here and there, by some internal reports and declarations. It would be perhaps more accurate to ask ourselves what could have Franco obtained by gestures in the political direction demanded by the western Allies. The Spanish Government lacked incentives for political liberalisation. Considering public opinion in Western Europe, nothing short of Franco leaving office could bring *respectability* to Spain in time to secure the assistance under the ERP. Moreover, liberalising measures that might satisfy the United States might fail to satisfy the British. Once the Anglo-Saxons had been convinced, was there any guarantee of equal approval from the French side? Regarding the United Nations, what possibilities had Franco's Spain, whatever measure of political liberalisation might have implemented, to become a member state in the face of Soviet Union's opposition in the Security Council?²⁷⁵ As Culbertson put it:

"The Regime has no way of knowing, and we have no way of telling it, at what point of liberalisation it would become acceptable in the eyes of the western nations."²⁷⁶

Franco admitted no main political alteration in Spain because the question always remained whether the Western bloc would have been satisfied with anything less than Franco's abandonment of power and the complete dismantling of his regime.

The Spanish Minister of Foreign Affairs had his own way to express it. According

²⁷⁴. For the concept of "constitutional cosmetics", meaning window-dressing in political constitutionalism, see Carr and Juan Pablo Fusi Aizpurúa: Spain: Dictatorship to Democracy, London [George Allen & Unwin] 1979, chapter three, and Carr, *op. cit.*, pp. 707, 715, and 720.

²⁷⁵. Spain's exclusion from the United Nations never constituted a problem linked with its possible participation in the ERP. Five of the sixteen ERP members were not in fact members of the United Nations.

²⁷⁶. FRUS, 1948, III, Culbertson to Marshall, Madrid, 29 March, p. 1031.

to him, the western democracies did not want Spain to progressively reincorporate in its public law liberties compatible with the character of the nation but gestures to allow the revolutionary virus. Artajo considered that

"if the Regime were to liberalize in a manner such as [the Americans] apparently had in mind revolution and civil strife would break out [in Spain] and the credits received by reason of their liberalizing action would have to be used to restore order."²⁷⁷

How could it be expected that Franco, who considered himself chosen by God as the leader of his country, "Caudillo by the Grace of God", would simply step out of power because of world enmity toward Spain?²⁷⁸ Political reforms could not precede economic assistance and by making political evolution a pre condition to economic assistance, the American Government aborted the possibility of fostering growth in Spain.

There was a mutual miscalculation on both sides which allowed little progress. On one side, the Americans (and British) had wrongly considered that eagerness for Marshall Aid was such great an inducement that Franco would be forced to implement political liberalisation:

"We heartily shared the British feeling that the continued exclusion of Spain [from ERP] would serve as an inducement to General Franco to bring about substantial political and economic changes in order to qualify for inclusion."²⁷⁹

On the other, the Spanish Government considered that, in the progressively deteriorating international situation, strategic considerations made assistance to Spain inevitable, without the latter having to move one inch in the political direction asked by the Allies.²⁸⁰

²⁷⁷. Ibid., Memorandum by Culbertson, Madrid, 2 February, p. 1022. "Notre conception de la democratie -explained Artajo to the French Delegate in Madrid- est moins hypocrite et plus humaine." AD, CE-DE 1945-1960, vol. 371: Telegram no. 355 from Hardion, Madrid, 20 April 1948.

²⁷⁸. Ramón Garriga: Franco-Serrano Suárez. Un drama político, Barcelona [Planeta] 1986, p. 167, describes how the Cortes voted, as a reaction to the United Nations condemnatory resolutions of December 1946, that the new five-peseta coins carried Franco's effigy bordered with the inscription "Francisco Franco, Caudillo of Spain by the Grace of God".

²⁷⁹. FRUS, 1948, III, Memorandum by Horsey, Washington, 16 February, p. 1026.

²⁸⁰. i.e., MAE, Leg. 2418, exp. 33: Most Confidential Note, dated in December 1947, which announced that the State Department had replied to a joint memorandum of the Army and Navy that relations with Spain would have been stabilised rapidly without noise; ibid, "Informe reservado a petición del señor Martín Artajo. Impresiones de un viaje a Norteamérica, 9 de Marzo-1

Culbertson informed Marshall that the Spaniards were convinced that due to Spain's strategic importance "we will of necessity, in our own interest, not only accept the regime as it is but will extend economic and military aid."²⁸¹ The Spaniards argued that progress was up to the United States. The State Department thought that progress was definitively up to Spain.²⁸² A compromise proposal came from the Spanish Government: Spain could not comply with the political requirements of the Americans but this was not necessarily the case on the economic side. By insisting on the political front the Truman Administration impeded any change. No other course of action could have led to such a deadlock.

Many were convinced of the need to cooperate with Franco. On the American side, Culbertson recommended that political and economic evolution of the then existing conditions *from* the then existing conditions be fostered.

"On the question of economic policy I feel I've got to stick my neck out by saying that the easing up of the present economic and financial restrictions [...] will [...] have practically no effect on the economic situation of Spain or in bringing about evolution [...]. For that reason I suggested [...] to consider direct governmental assistance."²⁸³

This required Spain's ERP membership:

"I had hoped [wrote Culbertson to Marshall] Spain might be incorporated into the [ERP] on purely economic grounds. Not because Spain would be a major positive contributor to European recovery but because assistance would prop up a wobbly economy and make it possible for Spain to become more self-sufficient, a less drain on world supplies as well as to be in a position to export some commodities of some value to

de Abril" [1948], n/s, n/d, mentioning the outstanding differences between military and political officials; Leg. 2309, exp. 4: Spanish Chargé in Washington, Antonio Cacho Zabalza, "Plan Marshall y política exterior", 4 February 1948. On the other hand, the military attachés to the American Embassy in Madrid had been openly gathering information about the state of the Spanish armed forces, see their main conclusions in "Memorandum for Mr. Myron Taylor", Madrid, 2 April 1948, published as doc. no. 315, in Di Nolfo, op. cit., pp. 560-61.

²⁸¹. FRUS, 1948, III, Madrid, 24 March, p. 1029. A similar view was expressed by the Italian and French diplomacies: ASMAE, Amb. Paris, b. 14: Telespresso no. 09035/C to all Italian diplomatic delegations in CEEC countries, "La Spagna ed il Piano Marshall", 20 March 1948, and AD, DE-CE: Despatch no. 444 from Hardion, Madrid, 6 April 1948.

²⁸². FRUS, 1948, III, Memorandum by Achilles of conversation with Lequerica, Washington, 25 August, p. 1048.

²⁸³. FRUS, 1947, III, Culbertson to Marshall, Madrid, 30 December, p. 1101.

Culbertson asked Marshall to indicate informally to the ERP countries that Spain should be included on economic grounds. This partial circumvention of the political question was rejected in Washington.²⁸⁵ Some American companies had declared their readiness to assist the Spanish economy if ERP was provided to Spain.²⁸⁶ On the European side, the Quai d'Orsay and the Foreign Office were of the opinion that the United States Government could find a way in economic terms to efficiently assist the Spanish economy, getting round the obvious inconvenience that barred any other possibility to the Europeans.²⁸⁷ Even Dr Juan Negrín López, who headed the Popular Front government of the Second Republic (May 1937-39), Spain's last Prime Minister before the advent of Franco and leader in London of a minority socialist group with a manifest pro-communist tendency, opposed economic sanctions against Franco Spain and requested the inclusion of Spain into the ERP, which would have involved the relief of the Spanish people and economy rather than any political support for Franco.²⁸⁸

The Spanish Government had initially wanted to participate in a common programme with little cooperation requiring no national sacrifices for the sake of Europe

²⁸⁴. FRUS, 1948, III, Culbertson to Marshall, Madrid, 29 March, p. 1032.

²⁸⁵. *Ibid.*, pp. 1033-36.

²⁸⁶. i.e. APG, JE, Leg. 13, no. 9.4: The President of the Westinghouse Electric Corporation, who was willing to collaborate in the railway programmes, the industrial and electric installations, to Franco, 5 November 1948.

²⁸⁷. ASMAE, Amb. Parigi, b. no. 413: Quaroni's despatch of 19 February 1948; and, PRO, FO 371/73338: Confidential Despatch no. 28864/84/41 from Mr Makins, FO, to Mr Hall Patch, London, 1 November 1948.

²⁸⁸. Negrín developed these ideas in a three-part article in the New York Herald Tribune (European Edition): "Spain and the Marshall Plan" 1 April 1948, "Franco Spain and ERP" 2 April, and "Spain and the Sixteen", 3 April. The main opposition leaders also perceived the importance of ERP assistance but reserved it for a democratic Spain. The agreement reached in October 1948 between the leaders of the Spanish Socialist Party in the exile and the monarchist forces, ran in its 6th point the desire to incorporate Spain, once freed from Franco, into the ERP, Brussels Pact as initial nucleus for the Western European Federation; Memoria que presenta al 3º Congreso de la Unión General de Trabajadores de España en el exilio la Comisión Ejecutiva. Toulouse, 20 al 23 de Enero de 1949, pp. 46-47 (consulted at the Francisco Largo Caballero Foundation, Madrid), also reproduced in Tusell: La oposición democrática al franquismo 1939-1962, Barcelona [Planeta] 1977, pp. 204-205. For Dr Negrín's activities in London, see Michael Alpert: "Don Juan Negrín en Londres 1940-1956", Bulletin d'histoire contemporaine de l'Espagne, no. 8-9, June 1989, pp. 28-40.

as a whole. On 5 November 1947, Franco declared that the sacrifice of the American people should not be addressed to countries as a whole unable in moments of extreme division, passions and ambitions, to agree among themselves to profit from such a noble offer as Marshall's. It would have been more convenient to the United States "to agree directly with each of the countries without forgetting or by-passing any of them".²⁸⁹ The desire to obtain aid solely on the basis of individual reconstruction programmes was nothing particular to Franco Spain. The Conference of Paris, 12 to 15 July 1947, had shown how essential it was for the European countries to retain complete freedom in their commercial policy, to restrict the power of any future authority as much as possible so as to oppose its interference in the domestic affairs of the participating countries and only on a temporary basis as long as American aid lasted. The CEEC was unable to present a coordinated programme for European reconstruction. Its final report was a joint statement of each country's needs with regard to supplies of goods and financial support. This so-called "shopping lists" approach was vehemently rejected in American terms.²⁹⁰ There was no initial intention to create a multilateral system of cooperation but to continue bilateral relations with the United States and the remaining European countries. The European States agreed to co-operate on economic reconstruction, to consider a customs union as a long term goal and to set up a politically impotent common organisation with no supranational character because of the over-riding priority of securing American aid.²⁹¹

When it became clear that the ERP was to be a reality without Spain, Artajo followed a somewhat different strategy:

"It does not matter much whether the money comes from one corner or another, whether it arrives in form of credit or in any other form, whether is granted through the Marshall Plan or through any other plan."²⁹²

²⁸⁹. Franco to the Brazilian newspaper O Journal as quoted in ASMAE, Amb. Paris, b. no. 413: "Dichiarazioni ufficiali".

²⁹⁰. FRUS, 1947, III, Under-Secretary of State Robert A. Lovett to Marshall, 24 August, p. 372.

²⁹¹. For a detailed account see Milward's Reconstruction, cit., chapter II, pp. 61 ff.

²⁹². Artajo's declarations to the Logos News Agency on 4 January 1948, and repeated to the Paris Press on 11 February, quoted in ASMAE, Amb. Paris, b. no. 413: "Dichiarazioni ufficiali".

As we have seen Culbertson informed Artajo, on 2 February, about the terms of the new American policy towards Spain, which considered the extension of indirect assistance to Spain in the form of the elimination of political objections to private credits. After discussion with Franco and his Cabinet, Artajo replied that the "Marshall Plan was of less interest to Spain than an individual deal with the United States."²⁹³ A bilateral agreement with Spain, outside of but parallel to the ERP, would provide assistance without the political inconvenience of ERP membership. This was not necessarily the preferred solution. Spain's ERP membership would have meant obtaining dollar credits without the need to directly deal with the United States. It had been feared from the outset that the United States could impose a much higher price in the context of bilateral dealings than if negotiations took place within a multilateral framework.²⁹⁴ ERP membership offered a greater appearance of complete international rehabilitation of the Franco regime than any bilateral deal with the United States. Finally, the major inconvenience which ERP membership involved -in the Spanish Government's perspective- did not disappear with the bilateral deal: Spain losing some of its freedom of action in case of military conflict.²⁹⁵ In sum, Spain's apparent preference for bilateral negotiations was due to necessity having been excluded from the multilateral framework; it was the only way to obtain foreign financial assistance.

In a way, given the large needs of the Spanish economy the Spaniards could have been more easily forced to give up some of the more extreme features of interventionism if in direct dialogue with the Americans, who could even coordinate effective economic assistance with political developments, than at the general bargaining process which took place within the CEEC or through the bilateral agreements signed with each country receiving assistance on the basis of the Economic Cooperation Act. The OEEC members had considered the American draft agreement concerning the conditions of Marshall Aid to the governments of Western Europe, dated on 12 May 1948, and the initial intention

²⁹³. *FRUS*, 1948, III, Culbertson to Marshall, Madrid, 9 March.

²⁹⁴. MAE, Leg. 3159, exp. 26: "Nota para su Excelencia", n/d, n/s, probably 14 July 1947.

²⁹⁵. MAE, Leg. 2309, exp. 4: "Condiciones generales del Plan Marshall y del Plan Bevin", n/s, n/d; presented to the Spanish Council of Ministers on 12 March 1948.

to use counterpart funds (the result of the sale of US commodities against local currency) to influence local economic policy excessively intrusive. It was, consequently and efficiently, opposed by the ERP recipient countries.²⁹⁶ In the case of Spain, positive assistance, if granted at the time of increasing economic jitters, could have worked as leverage to obtain effective economic and political liberalisation and have been used to encourage democratic evolution.²⁹⁷

The State Department refused to see things from this perspective:

"Positive economic assistance for this government should await, and serve as an inducement for the taking of concrete steps toward liberalisation in Spain."²⁹⁸

The Spanish Government perceived the United States as holding out a fairly empty hand of friendship. The Americans were calling for immediate action in return for which the Spaniards may have received nothing because any action they could have implemented might have failed to convince the US Administration. A busted economy in Spain was certainly neither going to make European recovery easier nor involve to abandoning the pressure to achieve political improvement. The problem is whether political liberalisation was to be a precondition of any further move.²⁹⁹ Had the State Department thrown out the ideological and emotional leftovers from the war in their Spanish policy, a means to encourage economic stability in Spain could have been found without much public announcement. In the early 1950s, when the Truman Administration came to accept a Spanish contribution to Western European defence, means were found to bring Spain

²⁹⁶. For an account of the mechanics of the ERP bilateral agreements, see H.T. Adam: L'Organisation Européenne de Coopération Economique, Paris [Librairie Générale de Droit et de Jurisprudence] 1949, pp. 67 ff. For the European criticisms see FRUS, 1948, III, pp. 446-50 and 457-62; and Brown and Opie, op. cit., pp. 157-159 & 188-190. The most recent account of the difficulties of the dialogue between the American and the Western European ERP aid recipient countries refers to Denmark, Leor Dalgas Jensen: "Denmark and the Marshall Plan, 1947-48: the Decision to Participate", Scandinavian Journal of History, vol. 14, no. 1, 1989, pp. 57-83, in particular pp. 71 ff.

²⁹⁷. FRUS, 1947, III, Culbertson to Marshall, Madrid, 26 December, p. 1098.

²⁹⁸. FRUS, 1948, III, "Policy Statement by the Department of State on Spain", Washington, 26 July, p. 1043.

²⁹⁹. "In fact, economic stability and liberalization may well bring with it political stability and liberalization." Ibid., Culbertson to Marshall, Madrid, 29 March, p. 1034.

within the western security system without the need to Spanish adhesion to either NATO or the Western European Union, with the advantage that the Americans imposed their terms. When the Americans opted for this solution, economic liberalisation was subordinated to the then immediate strategic requirement (see chapter four). In the late 1950s, when the Spanish economic situation progressively deteriorated, international aid for economic stabilisation was not conditional upon parallel political liberalisation. It was then naturally assumed that political liberalisation would follow from economic liberalisation. Could a similar solution to the one adopted in 1953 or in 1959 have been implemented in 1948? Could the economic bonanza that supposedly stemmed from the mid-1950s initial American aid and the implementation of the Stabilisation Plan have taken already place after 1947/48?

Some of the circumstances which supposedly favoured the implementation of economic and financial stabilisation in 1959 were already present a decade earlier.³⁰⁰ On the one hand, the Spanish Administration was already conscious that an inward-looking economy could not promote sustained growth and, on the other hand, foreign exchange reserves in the second half of 1947 were as heartbreaking as at the end of the 1950s. The reserves on 31 December 1957 were \$96.8 million, of which \$56.4 were not accessible by law whilst the reserves in December 1947 were \$11 million. If, in July 1959, the deficit reached \$76.3 millions, in July 1947 the pending requests to the IEME were \$208 million while they were almost \$908 million in October 1947.³⁰¹

To my understanding it is incorrect to state that Franco and his Administration took twenty years to recognise that the economic system designed in the immediate post-

³⁰⁰. For the circumstances of the so-called Stabilisation Plan of 1959 see the accounts written by some of its protagonists: Mariano Navarro Rubio: "La batalla de la estabilización", Anales de la Real Academia de Ciencias Morales y Políticas, Madrid, 1976; and Fuentes Quintana: a) "El Plan de Estabilización económica de 1959, veinticinco años después", Información Comercial Española, nos. 612-13, August-September 1984, pp. 25-40; and, b) "Tres decenios de la economía española en perspectiva", in García Delgado (ed.): España. Economía, Madrid [Espasa-Calpe] 1988, pp. 1-75. Fuentes was a member of the first generation of Spanish economists produced by the School of Economics and Political Science set up in Madrid in 1943.

³⁰¹. Data for 1957/59 from Juan Sardá Dexeus: "El Banco de España (1931-1962)", in El Banco de España. Una Historia Económica, Madrid [Ferreira] 1970, pp. 419-479, pp. 466 and 470; data for 1947 from table 3.4.

Civil War was ineffective or that only the new generations of economists from the School of Economics criticised the old policies and favoured liberalisation. It is commonly maintained that only after July 1951, with the appointment of a new cabinet, did the Government attempt a (timorous and halting) liberal economic venture which implied the acceptance of the need for international exchange. Under this light, the 1950s appeared to be the time when the Spanish Administration would have realised the need to progressively open the economy, a period of tension between autarchy and liberalisation, between isolation and openness, in sum, between the obscure 1940s and the bright year of 1959.³⁰² This thesis has shown that whatever ideological commitment towards autarchy existed before 1945 it was completely dropped after that date. It emerges from the different programmes in place and from the Import Programme, that the Spanish Government explicitly recognised the essential role of imports to develop the industrial capacity of the nation. The period up to the end of 1947 was considered *transitional* to new policies which would never be implemented due to the lack of financial support, the technical équipe was ready in 1947 to re-address the Spanish economy and to end its isolation from Western Europe and, as we have seen, the idea of financial and economic liberalisation had reached the Council of Ministers.³⁰³ An important element taking place in 1959 different from 1947 was the fact of granting foreign financial assistance to the

³⁰². Most representative of this view are García Delgado's publications previously cited and "La industrialización y el desarrollo económico en España durante el franquismo", in Nadal et al. (eds.), op. cit., pp. 164-89.

³⁰³. AHBE, IEME, box no. 7: the IEME's annual report for 1947 declared "the starting point" of the country's economic aspirations to overcoming the period of transition opened after the World War. Culbertson informed Marshall to be "relatively sure that economic modification and liberalization can be obtained and may in fact develop by itself because of such widespread opposition [to economic policies]." FRUS, 1948, III, Madrid, 24 March, p. 1029. On the contrary, it is generally affirmed that the 1940s Spanish Administration was unaware (or consciously rejected) a supposed fundamental of economics: the parallelism between industrial growth and economic liberalisation, i.e. Viñas: Guerra, dinero, dictadura. Ayuda fascista y autarquía en la España de Franco, Barcelona [Crítica] 1984, p. 210; Fusi: Franco, cit., p. 133; and García Delgado: "Estancamiento industrial e intervencionismo económico durante el primer franquismo", in Josep Fontana (ed.): España bajo el franquismo, Barcelona [Crítica] 1986, pp. 170-91, pp. 188-89, article previously published with a few grammatical differences as "Notas sobre el intervencionismo económico del primer franquismo", Revista de Historia Económica, no. 1, 1985, pp. 135-45. "Estancamiento" has been reelaborated as "La industrialización y el desarrollo económico de España durante el franquismo", in Nadal, Carreras and Carles Sudrià (eds.): La economía española en el Siglo XX. Una perspectiva histórica, Barcelona [Ariel] 1987, pp. 164-89, and, most recently and with some modification regarding the 1960s, as "Crecimiento económico y cambio estructural (1951-1975)", in Martín and Comín (eds), op. cit., pp. 137-60.

The question lies in determining how effective the policy of ostracism toward Spain was. This policy, to which the exclusion of Spain from the ERP was a part of, failed in achieving its main purpose, namely, encouraging a change in the Spanish government which might have led to the disappearance of Franco and his regime. It had no deleterious effect on the Franco regime and, if anything, it strengthened the dictatorship by providing a cohesive rallying cry for the defence of Spain against foreign intervention. The more vituperative the attacks from abroad became, the more convinced the Spanish Government seemed to appear of the righteousness of its cause. The point this section wants to stress is that this policy prevented any possible move toward economic liberalisation. On the contrary, it increased Franco's resistance to any democratisation under foreign pressure and diminished the possibilities of any further economic liberalisation. Even more, as the conglomerate of bottlenecks subsisted and lucrative vested interests rooted deeper, this policy rendered economic liberalisation even more difficult in the long-term. Without resources to purchase essential equipment, fuel and fertilisers and other raw materials and capital goods, the recovery and further modernisation of Spain dragged on over many years.

Spain, though showing some recovery after 1939, did not succeed in restoring its economy to the level of prosperity of 1929, the peak pre-war year, or even that of 1935, the year just before the outbreak of the Spanish Civil War. The maximum pre Civil War level of industrial output (1929), if considered in per capita terms, was only reached two years later in 1950, in spite of all the efforts made by the INI after 1941.³⁰⁵ Agricultural

³⁰⁴. On the main arguments debating the influence of the foreign world on the Spanish economy since the late 1920s to the late 1950s, see Juan Velarde Fuertes: "La base ideológica de la realidad económica española", in España. Economía, Madrid [Espasa-Calpe] 1988, pp. 955-1000.

³⁰⁵. Previous official estimates of industrial output had valued upwards the contribution of the public sector to industrial development because they referred to those industrial sector with the most rapid increase, electricity and industries not producing consumer or equipment goods. In 1950 the energy sector reached a level of 186.1 (1929=100), while the basic industry reached 89.5, the industry of equipment goods 91.1 and that of consumer goods 84.2. The official industrial index elaborated by the Council for National Economy put the recovery of pre-Civil War levels in 1946. Suanzes, affirmed then that reconstruction was completed by 1945, "Franco y la economía", in Suanzes: Ocho Discursos, op. cit., p. 142. Other

production remained below the 1935 level until 1951, with a clear depression between 1947 and 1950.³⁰⁶ The planned output for nitrogenous fertilisers was reached permanently only in 1952 (in tons of N₂).³⁰⁷ In 1949 the requirements of nitrogen fertilisers for the 1949/50 campaign were three and one half times the quota of 1948/49.³⁰⁸ The planned target for tractors was only reached between 1957 and 1958. Pre-Civil War per capita income levels were surpassed in 1951 (measured in absolute terms and at constant 1964 prices).³⁰⁹ It had taken the economic policy of the Franco regime more than a decade to attain pre-Civil War levels of output.³¹⁰

Without calling exceptional the ERP economic contribution to recipient Western European economies, either directly to national income or indirectly through the foreign sector, it undoubtedly allowed them to continue to maintain high levels of investment and imports of capital goods (i.e. machinery, vehicles, iron and steel, and iron and steel products) from the United States. The importance of ERP is not seen uniquely in terms of the absolute value of ERP-financed imports as a proportion of total imports. The commodity composition of these imports was of a greater importance to the importing economy. Additionally, the Marshall Plan released important funds for investment through the counterpart funds. Countries like France, Italy and the Federal Republic used

estimates elaborated by the official Spanish statistical office situated the year of recovery for industrial production in 1940-42, see Carreras, "La producción industrial", art. cit., p. 144.

³⁰⁶. Carreras: "Índices de la producción agrícola", art. cit.

³⁰⁷. Ministerio de Agricultura: Anuario de Estadística Agraria, Madrid, 1974, p. 592.

³⁰⁸. AHBE, IEME, box no. 2: The General Director of Agriculture at C/A, 11 October 1949.

³⁰⁹. Julio Alcaide, "Una revisión urgente de la serie de renta nacional española en el Siglo XX", in Datos básicos para la historia financiera de España, 1850-1975, vol. I, Madrid [Instituto de Estudios Fiscales] 1976, pp. 1127-50. See Carreras, "Estimates of the Real G.D.P. for Spain, 1849-1985", paper delivered at the 20th General Conference of the International Association for Research in Income and Wealth, Rocca di Papa, Italy, 23 to 29 August 1987, for an account of the different historical estimates of Spanish Real GDP, the measurement techniques used and their sources.

³¹⁰. Franco had declared, short after the result of the O'Konski motion, on 20 April 1948, that the consequences of the exclusion from the Marshall Plan were "un ritardo nella ripresa economica del nostro paese, il che esigerà agli spagnoli alcuni maggiori sacrifici e sforzi" (sic); ASMAE, Amb. Paris, b. 413: Telespresso no. 1907/376, "Situazione politica spagnola: Piano Marshall - Dichiarazioni del Generale Franco al direttore del "Manila Chronicle" Sig. Vicente Arias", Italian Embassy in Madrid to Minister of Foreign Affairs, 27 April 1948.

counterpart funds almost exclusively for investment purposes. In general terms, these funds served to finance the previous pattern of public investment in infra-structural development, such as electricity, gas and power supply (24.7 per cent of the total amount of ERP counterpart funds), transport and communications, including shipping (20.2 per cent), agriculture (16.1 per cent) and coal mining and mining (11.7 per cent).³¹¹ Counterpart funds and ERP-financed imports were of relative importance to those sectors which bore the main burden of reconstruction and helped governments to widen bottlenecks in the recovery process.

The Monnet Plan was originally a mere import programme to allocate scarce resources and French reconstruction was hoped to be largely financed by American credits. A first draft of a French reconstruction programme was presented at the bilateral negotiations which followed the end of the lend-lease agreement with the United States (signed in February 1945) in September 1945. A Commissariat au Plan was set up in January 1946. During the so-called Blum-Byrnes negotiations, March to May 1946, the Monnet Plan obtained \$650 million out of the \$4,000 million the Commissariat had asked for, a scale similar to the previously negotiated British loan.³¹² Marshall Aid to France represented \$3,104 million from 3 April 1948 to 30 June 1953. This aid was most important because, for a country running large balance of trade deficits, it maintained the flow of capital goods imports which sustained the Modernisation Plan.³¹³

Moreover, counterpart funds supported investment in the so-called "basic sectors". The Monnet Plan received 77.2 per cent of overall counterpart funds, a further 13.7 per cent went to further economic reconstruction outside the plan.³¹⁴ Counterpart funds

³¹¹. Percentages from data provided by Brown and Opie, *op. cit.*, p. 237. For the most recent and detailed approximation of the ERP's economic contribution see Milward, *Reconstruction*, *cit.*, pp. 96 ff.

³¹². Lynch: "French Reconstruction in a European Context", EUI Working Paper no. 86, Florence, February 1984, p. 5.

³¹³. André Kaspi: "La Francia e il Piano Marshall", in Aga Rossi (ed.), *op. cit.*, pp. 61-66, p. 65.

³¹⁴. Commissariat du Plan: *Rapport Annuel, 1952*, tables 29 and 33, pp. 78 and 84; and Jean Bouvier: "Le Plan Monnet et l'économie française, 1947-1952", Florence, EUI Working Papers, no. 83, January 1984, p. 24, taken from Gérard Bossuat: "Ingérences américaines et dépendance française: la contre-valeur de l'aide Marshall, 1948-1951", text dactylographic, 1983.

represented a third of the total investment of the Fonds de Modernisation et d'Equipement in 1948, fifty percent in 1949 and thirty per cent in 1950.³¹⁵ Marshall Aid allowed the modernisation plan to insulate investment programmes from short-term political and economic circumstances. By the end of 1950 the percentage of realisation in relation to the targets established by the November 1946 Plan were the following: coal, 80 per cent; electricity and steel, 89 per cent; agricultural machinery 38 per cent; hand-made textiles 55 per cent; wheat 94 per cent; oil 205 per cent; meat 120 per cent; milk 100 per cent.³¹⁶ Most authors agree that, without the intensive support received by the Marshall Plan, the Monnet Plan could never have been implemented.³¹⁷ Marshall Aid had provided a solution to the French planners' dilemma of financing the dollar imports of equipment at the same time as securing the necessary domestic investment.

It is impossible to know what would have happened had the United States not provided aid for French reconstruction. One of the existing rare considerations to an alternative course of action in France, had the latter's economy not received substantial American economic assistance, could help to reframe the Spanish case. When preparing the discussions for the negotiation of the lend-lease, Monnet warned the Americans that without a large credit, French reconstruction would take longer and operate within a closed economy:

"Il nous faudra alors adopter une ligne politique tendant à utiliser au maximum nos propres ressources; à développer la production de produits synthétiques quel qu'en soit le prix de revient intérieur; à utiliser la puissance de production industrielle de l'Allemagne."³¹⁸

Supply was the crucial factor. While in most Western countries the value of

³¹⁵. Rapport Annuel, 1952, cit., pp. 78 and 84.

³¹⁶. Sauvé: "La politique d'investissement de la France depuis la Libération", Doctoral Diss., quoted by Bouvier, op. cit., p. 18.

³¹⁷. See particularly, Cohen: Modern Capitalist Planning, op. cit., 1977 ed., pp. 21 ff.; Milward: "La Planification française et la reconstruction européenne", in Cazes and Mioche: Modernisation, op. cit., pp. 77-115; and Pierre Gerbet et al.: Le relèvement, 1944-1949, Paris [Imprimerie Nationale] 1991, pp. 309 and 330.

³¹⁸. "Brouillon d'une note de synthèse", Jean Monnet, n/d, cit. by Philippe Mioche: "The Origins of the Monnet Plan", EUI Working Paper, no. 79, January 1984, p. 7. See also Lynch, op. cit., p. 2.

imports was much higher than exports and recovered pre-war levels faster than exports, this was not the case in Spain. In most Western European countries the deficit bore little relation to the size of their resources in gold and foreign exchange but was related to their capacity to obtain access to international aid. Most of them were gambling on the provision of more American aid. This was a risky game, especially because it was taking place when the Americans were insisting on an end to any extraordinary financial aid by the end of 1947. Although the structural causes of the dollar deficit were complex and could not be solved by the Marshall Plan alone, the Marshall Plan allowed Western Europe to continue importing American goods to sustain high levels of capital investment in spite of their payment difficulties. The Marshall Plan allowed Western Europe to continue its expansionist domestic policies, while it left Spain on the edge of international bankruptcy.

3.7. Conclusions

This Chapter, in union with the previous one, has run counter to a set of views commonly accepted for the period the main features of which could be summarised as following. First, the Franco regime opted voluntarily for economic isolation and it is, thus, responsible for the lack of growth, the delay in industrial output between 1936 and 1950 and the exasperating slowness in recovering pre-Civil War levels of output and welfare. Second, foreign trade was hardly considered in terms of economic growth and it was only considered as the arena in which to satisfy, through the manipulation of administrative requirements (such as licenses and quotas) the regime's clientele. Third, the Franco regime could have followed a similar Western European pattern had it opted to do so.³¹⁹

³¹⁹. i.e. Carreras' publications, most recently, "La industrialización española en el marco de la historia económica europea: ritmos y caracteres comparados", in España. Economía, op. cit., pp. 79-152, p. 102. See also García Delgado's publications previously cited where it is argued that economic interventionism was serving the isolationist option of the Franco regime and that this interventionism was extreme because autarchy was its main goal. Fabián Estapé: Ensayos sobre economía española, Barcelona [Ariel] 1972, p. 317, argues that "autarchy" aimed to reach economic as well as political independence as a result of the epidemic "allergy to any foreign relation". In Carr, Spain, op. cit., autarchy is presented as being endemic to the Regime, as the only possible and permanent policy of the Spanish State. Javier Tusell: "La autarquía cuartelera. Las ideas económicas de Franco a partir de un documento inédito", Historia 16, no. 115, November

Finally, that the Spanish Administration would have made "no positive movement to link itself to European reconstruction" (before 1957).³²⁰

Both these chapters, from their limited perspective, show how the Spanish Administration positively considered linking the Spanish economy with the international economy. The Spanish economic authorities had accepted, as early as 1945, the idea that in the long-run, prosperity depended on a return to more open economies with a relatively free multilateral system of trade and payments. The Spanish Administration studied the possibility of joining the Bretton Woods institutions, offered Spanish economic participation through UNRRA to the relief of Europe, contributed through a complex network of bilateral agreements in the economic reconstruction of Western Europe and applied for Marshall Aid to soften the extreme features of intervention and trade restriction. The will to join the Marshall Plan shows, by itself, that isolation was not a deliberate aim of Francoist economic policy and that the Franco regime had no intention whatsoever of remaining outside the post-war boom.

On the other hand, the Administration was perfectly aware that Spain's weak trade position was the major bottleneck to economic growth. It is far from clear whether the Spanish Administration could have adopted policy-options similar to the rest of Western Europe without the benefits of massive financial assistance. No other means were available to absorb the necessary convulsions which any stabilisation and liberalisation would have provoked in a traditionally closed economy. However, it is also far from being a proven fact that, had it received foreign economic support, the Spanish Government would have dispassionately moved toward a liberal economic policy. Nobody did so in Western Europe at the time.

1985, pp. 41-49, presents autarchy as the natural and direct consequence of the extension of military habits to the economic sphere. Finally, Velasco Murviedro: "El <<ingenierismo>> como directriz básica de la política económica durante la autarquía (1936-1951)", Información Comercial Española, no. 606, January-February 1984, pp. 97-106, based mostly in texts published before 1946, considers perfectly natural to extend autarchy up to 1951.

³²⁰. Joan Sardá Dexeus's preface to Joan Clavera et al., Capitalismo español: de la autarquía a la estabilización (1939-1959), Madrid [Edicusa] 2nd ed., 1978, pp. 13-21, p. 15.

Spain's main foreign economic problem in the post-1945 period was of a clear-cut nature:

"In what conditions could it be assured a national supply of raw materials and goods necessary for the national economy through the export of the national produce and the rationalisation of all available financial resources."²²

If during the immediate post-war period economic ostracism did not follow political dislike and direct intervention was not implemented, the exclusion of Spain from the ERP arrangements deprived the Spanish economy of the necessary margin to accelerate recovery and frustrated economic modernisation. While the Franco regime had survived isolation and came out stronger than ever, ostracism only achieved the delay of Spain's economic recovery.

The solution of the short-term problems of the Spanish economy weighed too heavily on the long-term plans for industrialisation and capitalisation and represented an obstacle to the reconstructive economic process. Any financial auxilium of certain importance would have been of extraordinary value in overcoming bottlenecks and releasing the break for growth. Argentina's aid came at a critical time for Spain and helped to ensure the supply of foodstuffs. However, Spain could not find a feasible market overseas for its agricultural exports and Argentina could not fulfill its requirements for manufactured goods from Spain. Argentina soon ran out of funds, while Spain did not pay for its imports from that country. The trade relationship built up between both countries was, by necessity, short lived. It took Spain away from *primum vivere* but did not finance capital equipment, the main hindrance to the creation of a more competitive industry.

The Import Programme drafted to be financed by Marshall Aid was a priority plan for allocation of scarce supplies, partially for temporary relief and partially for modernisation. It wanted to overcome a conglomeration of bottlenecks which hampered recovery: the loss of German technical collaboration on which many of the vast industrial

²². MAE, Leg. 4618, Exp. 2: "Nota relativa a los problemas que se plantean en la Subsecretaría llamada de Comercio, Política Arancelaria y Moneda", San Sebastian, 29 July 1946.

schemes were based, the foreign exchange shortage, in particular of dollars, the need to reinforce its energy and power supply, the transformation of the rail-system with the electrification of the network and an increase in coal imports, the obtaining of regular supplies of raw materials, such as petroleum and raw cotton, and the purchase of capital goods. Meanwhile, the Import Programme was to reduce the country's dependence on food supplies through an increase of productivity in the countryside. Only with Marshall Aid could Spain have purchased an appreciable proportion of the extra imports considered essential for the full recuperation of the Spanish economy and productive capacity.

It is this aspect of modernisation which transforms the Import Programme into a list of political wishes from which needs were deduced. In this sense, the programme for national reconstruction was a mixture of economic reality and political desirability, conceived in a sort of daydream where international economic and political difficulties were largely ignored. The Marshall Plan appeared to the Spanish Administration as the opportunity to correct the country's obsolete economic structures and strengthen the Spanish political regime. The United States and their Western partners were most concerned about the political implications for their domestic spheres of any Spanish ERP connection. The State Department wanted to eliminate a possible obstacle (at domestic as well as foreign level) to the new policy and the Western powers were busy enough with the many economic and political domestic and foreign implications of the new American initiative to complicate things further by bringing in the question of Spain. To benefit from Marshall Aid, Spain was requested to totally dismantle the Franco regime. A *kick-Franco-out-of-power* policy preceded any other consideration of economic assistance. The needs of the Spanish economy were not considered independently of the country's political circumstances.

Spain's non-participation in the ERP had cut off the possibility of international financial assistance for economic reconstruction purposes and then for economic growth. If there was no way to pay for imports other than by exports, imports and exports were to be kept in balance. Furthermore, the alternative means to recovery were intervention, priorities, rationing, price control, labour allocation, export set-asides, import quotas, on the one hand and, budget balancing, credit restriction and high interest rates, on the other.

While the Marshall Plan partially avoided increasing trade controls as the only other response to the 1947 financial crisis, by permitting a level of imports from the United States of investment goods appreciably higher than could otherwise have been the case, Spain, on the contrary, with no dollars other than those earned from exports, had to have recourse to trade controls and an economic policy constrained by the need to maintain a constant equilibrium in the country's balance of payments. In other words, exclusion from the ERP meant holding down imports for Spain, keeping the pace with exports, in particular dollar imports and dollar imports of capital goods, and the continuation of the rationing of domestic consumption. The increased import of valuable investment goods, which participation in the Marshall Plan could have made possible, would have created some room of manoeuvre for the government's economic policy.

The interesting aspect of this research is to reveal that the Spanish Administration, conscious that involving Spain in the Marshall Plan was not feasible because it would have meant a proof of international plenary absolution for the Franco regime, proposed that the United States grant aid to their economy outside the ERP framework with a commitment to progress toward economic liberalisation. The proposal was permanently rejected because it would have reduced the value of the American commitment to a coordinated plan for recovery. Washington did not consider the practical implications which might have derived from the Spanish proposal: to synchronise economic assistance with impulses toward economic liberalisation and, subsequently, to political transformation.

The Spanish Administration agreed with the objectives of modernisation and liberalisation but rejected the radical political conditions linked to the granting of American assistance. The Allies asked too a high price for the Spanish Government to consider seriously their proposal. Once the latter had declared itself to be prepared to go along with economic and financial springcleaning if backed by foreign assistance, it would have been more sensible to provide American assistance to Spain conditioned upon an effective commitment to work progressively toward trade liberalisation and the dismantling of autarchic industries. Spain could, with difficulty, adopt steps towards freer trade, the elimination of some discriminatory aspects of the Spanish economic policy and

the opening of its industries to international competition, without the previous recovery of basic sectors. Insertion into the international economy could only be the result of recovery and modernisation. Political transformation could have been left to be induced indirectly by the improvement of the country's economic conditions and subsequent economic growth.

The Truman Administration renounced testing how far it could extract economic concessions in return for assistance. It limited itself to demanding political concessions without providing any convincing guarantee of economic and financial assistance. The promise of Marshall Aid remained so ambiguous, imprecise and conditional upon many uncontrolled factors that it did not serve to provide sufficient economic leverage for the United States to force through its own politics in Franco Spain. The promise for economic stabilisation and liberalisation, was never put to the test. The Americans rejected transforming their political problems with the Spaniards into technical ones which could have been easier to settle and which could have provided at least some returns. The exclusion of Spain from the ERP and, more particularly, the American incapacity or unwillingness to provide for a substitute mechanism of assistance while demanding substantial political and economic changes in Spain, is a good example of how the "gap between ambition and feasibility" deprived the American policy of effectiveness to solve the Spanish problem.³²²

The United States continued not to be not interested in what has been called a "non-democratic nationalistic modernisation".³²³ The Truman Administrations refused to admit the Spanish Government's theory of restricting liberalisation and modernisation to the economic sphere without extending it to the country's social and political life. The result of this was equally negative for Spain's economic and political life: a "capitalist stagnation without democracy".³²⁴

³²². Milward uses this same concept for the American policy at the time of the Marshall Plan in a more general sense, *Reconstruction*, op. cit., p. 196.

³²³. Benny Pollack: *The Paradox of Spanish Foreign Policy. Spain's International Relations from Franco to Democracy*, London [Pinter Publisher] 1987, p. 131.

³²⁴. José María Maravall: *El Desarrollo económico y la clase obrera*, Barcelona [Ariel] 1985, p. 154.

The notion of Marshall Plan as a *political stabiliser* forced the Truman Administration to maintain a firm attitude on the priority of political change over economic development. They conceived economic aid exclusively to support democratic political parties in power. There was no room within the Marshall Plan for any action aiming at substituting non-democratic governments. Internal as well as external threats justified economic aid to governments with questionable democratic credentials, such as in Greece and Turkey, while Portugal's dictatorship did never represent a major problem in public opinion terms. This was not, evidently, the case of Spain. On the one hand, the periodic discussion about Franco Spain in the United Nations and press had distorted the question out of proportion, building an emotional issue which frustrated any positive international action affecting that country. On the other, Spain's security was not threatened except by its own government. Therefore, Spain appeared to the Americans as an isolated case to which the rule of political stabilisation could not be applied and for which no specific policy could be conceived at the State Department.

It has recently been argued that had Spain been a democratic nation, it would have participated in the Marshall Plan.³²⁵ This is an argument, however, which does not take us very far. There is no historical evidence that the transition from Franco into democracy would have been a trauma-free process fostering economic growth and which could have favoured Spanish economy to follow the Western European pattern. No consideration is given to the possibility of further turmoil making the national economy lag even further behind. A historical approach to Franco leaving office and Spain turning into a brand-new democracy is, thus, limited in debate possibilities.

A point of departure for this thesis has been the position of Spain as a non-democratic country. The nature of the political regime and Franco not leaving office is considered as a given factor. Therefore, this Chapter has proposed an alternative research perspective. Had the Western Allies displayed a less ideological attitude and had Spain received ERP financial support, regardless of Franco's political regime, its economic

³²⁵. Catalán, "Los años cuarenta ...", cit. For a previous debate on this point see Buesa: "Una nota sobre la economía española bajo la dictadura franquista", *Investigaciones Económicas*, no. 14, January-April 1981, pp. 163-77, and Biescas: "Réplica", art. cit.

retardation might have been overcome sooner, making possible in 1948 what the most famous Stabilisation Plan made possible a decade later. Spain's high-policy makers might have been stimulated to introduce financial and monetary measures to stabilise its money system and exchange rates. They might have been forced to adapt some discipline in trade and exchange rate policies to encourage an expanding trade with Western Europe, with as extensive free trade as possible.

The task of this chapter has been to analyse the problem-solving capacity of the Spanish Administration in foreign economic policy in the crucial period between the summer/autumn of 1947 and the end of 1948. The Spanish Administration perceived then that the period of Western European economic recovery, which had been favourable to the Spanish economy, had ended. Traditional exports were not performing as expected and a change in the pattern of international demand was taking place against Spain's export trade commodity composition. This was when the trade tools used since the end of 1944 were clearly perceived as less profitable. It was then that foreign economic assistance desired to overcome the poor state of the national economy -in particular supply and investment shortages- appeared viable and the various plans to increase industrial output were gathered into a single plan for the country's economic reconstruction. It was then, in sum, that exclusion from the Marshall Plan forced Spain into the *non grata* status within Western Europe.

Up to that date, the Spanish Administration had efficiently used the economic and administrative resources then available in foreign economic policy. It had become a creditor at the time of general scarcity of hard-currencies as a means to promote trade and to link the United Kingdom and France to the Spanish economy despite political considerations. It had paid off all its financial debts in an attempt to appear as a serious commercial partner. It had taken advantage of the post-war world-wide scarcity of supply and hard-currencies to place the Spanish export commodities presented as hard-currency-savings and make an important contribution to economic recovery and diet improvement. It had promoted trade relations through the recreation of the traditional network of bilateral trade and payments agreements between Spain and Western Europe. Trade relations were presented as mere technical dealings to obtain a non-political supply of

necessary goods. This specific trade pattern was fully effective and the Spanish economy reaped the maximum advantage which its output capacity allowed.

Spain's exports during the immediate post-war years were based not on Spanish economic potential but on the dramatic short-term needs of Europe's relief and reconstruction. They certainly served to maintain a level of foreign currency income to satisfy the minimal requirements of the Spanish economy. They have served even to stabilize Franco's political regime in the international sphere, but were insufficient to accomplish the necessary modernisation of the economic structure for sustained growth. *Reconstruction* of the country's economy required larger financial resources than those provided by bilateral trade channels, or otherwise, as happened, recovery would take longer. Recovery of pre-Civil War levels of output and modernisation of economic structures were the two sides of the same problem, more so when Marshall Aid searched for higher productivity levels in the recipient countries. For instance, the recovery of pre-civil war agricultural output still left the problem of keeping up with the increase in demand resulting from a steadily growing population and a rising standard of living. Marshall Aid appeared as the optimum solution to secure large foreign financial assistance and a subsequent increase in trade levels, both of which were permanent objectives of the Spanish Administration. The crux of the second half of the 1940s was thus, the limited resources of foreign exchange available.

The American financial resources available through the Marshall Plan changed the terms of Western European economic reconstruction and, thus, Spain's relations with Western Europe. Before June 1947, the logic of separate, often conflicting, national reconstruction plans allowed the obtainment of whatever Spain had to offer. When State Secretary Marshall called for a coordinated plan as a precondition to receiving a large package of economic assistance from the United States, bringing Franco's Spain in would have provoked most undesirable domestic criticism from all corners. The inclusion of Spain was difficult to defend to public opinion in France and Italy and more, particularly, to the United States Congress, since what was presented at stake was democracy and the highest Western European values. Fruit and vegetables, pyrites, iron ore, cork, tungsten, were no longer single commodities after Marshall's offer, but components of an ambitious

political programme. Trade became an instrument to achieve major political, economic, social and ideological goals. It was no longer a goal in itself.

The point is not that Spain had little to offer to European reconstruction. Neither that, if Spain had joined the CEEC, it would have added a new shopping list to the sixteen separate estimates of needs drafted in Paris, the maximum cooperative effort the Europeans were able to undertake at the time. The point is that Western Europe did not consider necessary to obtain the possible contribution from Spain through the ERP. Public opinion was strong enough to discourage any attempt in that direction, while bilateral trade could fulfil the task of channelling Spanish goods for Western European reconstruction without risking domestic and international upheaval. The Franco regime's exclusion from the ERP was possible because Western Europe and Spain had developed a network of bilateral agreements necessary to obtain what the Spanish economy could offer to Western European reconstruction.

Excluding Spain, however, meant for Western Europe to find other means to avoid the collapse of the Spanish economy, in particular its foreign sector upon which the foreign supply of essentials depended. The appearance of disorder and civil strife at the Western corner of Europe, possibly stemming from a drastic deterioration of the country's economic conditions, did not appeal to Western policy-makers, especially since the Marshall Plan was to save the continent from political and social turmoil. The policy adopted by the Western European countries was to avoid carrying out further discrimination against the country such as to leave the Spanish economy on the edge of collapse.

Chapter 4:

<<BIENVENIDO MR. MARSHALL>> OR THE LIMITS OF FOREIGN FINANCIAL ASSISTANCE, 1949-1955

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"Spain wants and needs help but she wants it on a basis of a bilateral arrangement with the United States and not under Marshall Plan aid. If Spain could receive such aid as to give solidity to her economic structure, liberalizing action could and would be taken and Spain would be prepared to meet such reasonable conditions as [the U.S.] might be prepared to suggest. [...] Could some understanding be reached between the two countries, [the U.S.] could, if so desired, have bases in the Canary and Balearic Islands and facilities on the Spanish mainland."
José Sebastián de Erice y O'Shea, Director General of Foreign Policy at the Spanish Ministry of Foreign Affairs¹

"The thinking [in Washington] is that economic assistance will be used to support the military program in Spain -whatever that turns out to be. It will be directed toward this objective and not toward a general rehabilitation of the Spanish economy. Negotiations for economic assistance should not precede military negotiations [...] because we still lean [...] toward the idea of using the promise of economic assistance as a carrot to attain our military objectives."
William B. Dunham, Country Specialist in the Office of Western European Affairs of the United States Department of State²

*. Title adopted directly from the film of the Spanish film-maker José Luis García Berlanga.

¹. *FRUS*, 1948, III, the American Chargé, Paul T. Culbertson to Secretary of State George C. Marshall, Madrid, 17 November, p. 1063. This is the first policy declaration regarding the Spanish offer for bases.

². *FRUS*, 1952-1954, VI, part 2, Dunham to the Counselor of the U.S. Embassy in Spain, John Wesley Jones, Washington, 30 January 1952, p. 1793. At that time, Dunham chaired the Mutual Assistance Advisory Committee Working Group on Spain, in charge of studying the positions of the different departments involved in the negotiations with the Spanish Government for the use of military bases on Spanish territory and formulating specific negotiation proposals. It included high-ranking officials from the Departments of State

4.1. Introduction

Before examining Spain's trade relations with Western Europe, an assessment of the assistance granted to Spain in the early 1950s is necessary. Such an assessment will reveal that the benefits accruing to the Spanish economy from foreign financial assistance were extremely limited and that, despite their limited expansion, exports earned the only foreign currency available at the time to pay for essential imports of foodstuffs to feed the increasing population and capital goods and raw materials required by the ongoing industrialisation. This chapter will add significance to the matter of Spain's trade relations with Western Europe, the subject of the following chapter. Spanish exports to Western Europe were the single major source of foreign currency earnings, whereas imports from Western Europe were an important means for economic development at the time.

This chapter will deal mainly with the United States Government's assistance programmes, since Argentina had disappeared as a creditor for the Spanish economy. This chapter is concerned only with long-term capital (loans with maturities of more than one year and repayments actually disbursed) and grants transferred to the Spanish Government by other governments and (whenever they could be recorded) by foreign private banks. American assistance to Spain came, initially, in the form of credits administered by the Export-Import Bank of Washington (henceforth, Eximbank) and, after September 1953, in exchange for military facilities on Spanish territory.³ The chapter concludes by dismissing the significance of dollar aid in providing major relief to the Spanish economy during the period of time covered.

Spain's export performance determined its ability to earn foreign currency in the period between 1949 and 1954. In 1948 and 1949, Argentine credits equalled 47.3 and

and Defense, and the Mutual Security Agency (formerly the Economic Cooperation Administration, henceforth ECA).

³. For U.S. direct investments (as opposed to U.S. Government's grants of capital and official loans to Spanish companies and to the Government of Spain) see Harry J. Robinson and Bruce B. Barber: "The Role of American Investments in Spain's Development", included in American Chamber of Commerce in Spain: American Investments in Spain, Barcelona, 1972, pp. 1-140. According to this source (tables 2 and 3), the cumulative value of U.S. investments in Spain went from \$51 million in 1950 to \$48 million in 1956, i.e., 1.3 per cent of U.S. investments in Western Europe in 1956.

18.2 per cent of the foreign currency earned by exports in both years, respectively (see table 4.1, #). It was not until 1955 that foreign capital again amounted to a significant proportion of the foreign currency earned by export trade and could reverse the country's negative trade balance.

TABLE 4.1

FOREIGN CURRENCY EARNINGS BY EXPORTS AND LONG-TERM CAPITAL INVESTMENT, 1948-1955
(in millions of U.S. dollars)

Years	Exports f.o.b.	Trade Balance	Private Capital	3 %	Public Capital	4 %	3+4 %	Long-Term Capital B.	5 %	2 +
(1)	(2)	(3)	1	(4)	1	1	(5)	1	5	
1948	375.1	- 62.5	5.3	1.4	177.4#	47.3	48.7	+ 167.7	44.7	+105.2
1949	407.3	- 15.3	28.7*	7.0	74.2#	18.2	25.3	+ 87.9	21.6	+72.6
1950	405.6	+ 61.9	13.5**	3.3	-	-	3.3	+ 8.4	2.1	+70.3
1951	498.0	+ 116.8	4.5	0.9	17.9#	3.6	4.5	+ 3.0	0.6	+119.8
1952	458.2	- 52.2	6.9f	1.5	11.5#	2.5	4.0	+ 3.5	0.8	-48.7
1953	483.1	- 56.5	25.0f	5.1	13.6#	2.8	8.0	+ 30.9	6.4	-25.6
1954	464.4	- 91.3	32.2	6.9	60.2‡	13.0	19.9	+ 46.8	10.1	-44.5
1955	446.2	- 112.4	57.9	13.0	106.0‡	23.8	36.7	+ 154.6	34.6	+42.2

Source: Santiago Chamorro, Ramón Comendador, Juan José Dolado, Rafael Repullo and Julián Rodríguez: Las balanzas de pagos en el periodo de la autarquía, Madrid, 1976, and own elaboration. Chamorro et al.'s export data differ from official figures because they adjusted the export values declared by exporters to those registered when the exchange took place. For (1) & (2), most recently, Albert Carreras accepted Chamorro et al.'s data as a reliable source; "La renta y la riqueza", in Estadísticas Históricas de España. Siglos XIX y XX, Madrid [Fundación Banco Exterior] 1989, pp. 533-88, table 13.26, p. 573. The use of export earnings booked by the Spanish Foreign Exchange Institute (henceforth, IEME), reducing export values with respect to customs trade records, increases significantly the percentages of columns 3 and 4 over column 1; see Angel Viñas et al.: Política comercial exterior en España (1931-1975), 2 vols., Madrid [Banco Exterior de España] 1979, vol. 2, p. 795. Chamorro et al.'s data on private capital have been augmented with the part of the credits granted during 1949 and 1950 by private United States banks and effectively delivered in those same years. This might imply some overlapping and, consequently, an overvaluation of private capital during both years. Public capital has been modified regarding the distribution of the credit authorisations for a value of \$65.2 million voted by the United States Congress in August 1950. The long-term capital balance includes payments in concept of interests and commissions relative to the Argentine and, after 1954, Eximbank credits. It comprises equally aid granted under the provisions of the "Defense Support Program" (after 1954), the "Public Law no. 480" and the "McCarran Amendment" to the Mutual Security Appropriations Act of 1955 (in 1955). At different points in this chapter, the various programmes of assistance to Spain will be explained in detail. Aid offered by the National Catholic Welfare Conference and distributed by Cáritas Española has not been considered. The amounts of American economic aid under the Pacts of Madrid have been adjusted according to different official United States sources and the OEEC reports on the Spanish economy. There are important differences between the figures used here and those provided as American aid in other sources. The amounts of economic aid quoted here correspond to effective deliveries and expenditures, and not, as frequently quoted, obligations, appropriations, or end-authorisations, which disregard whether the amounts granted (either loans or grants) were effectively delivered. Military assistance is not considered because it did not represent a transfer of resources to the civilian economy and did not affect the external asset and liability position of the Spanish Government. For the most part, military aid represented a transfer of military end-items that presumably would not have been acquired without this aid. Furthermore, the difficulty in measuring the

net addition of resources to the civilian economy brought by military aid (which in the form of end-items did not entered in national accounts), makes it necessary to neglect it altogether. Finally, commercial credits, frequently of a short-term nature, are not considered.

(*) It includes \$19 million out of the two-year \$25 million loan granted by the Chase National Bank of New York and \$1.5 million from the Societé Banque Suisse of Geneva; AHBE, IEME, box no. 164: "IEME. Balanza General de Pagos del año 1949".

(**) It includes \$3 million corresponding to the Chase National Bank of New York, \$9,867,319 from the National City Bank of New York and \$645,039 from the Societé Banque Suisse of Geneva; AHBE, IEME, box no. 165: "IEME. Balanza General de Pagos del año 1950".

(f) Including two short-term loans (18 months) totalling \$24 million granted by the Eximbank (early in January 1952 and in mid-April 1953) for the purchase of raw cotton outside the amounts authorized by the United States Congress in August 1951; PRO, FO 371/113024: Despatch no. 334 from British Ambassador John Balfour to Secretary of State for Foreign Affairs Anthony Eden (October 1951 to April 1955), "Annual Report of Spain for 1953", Madrid, 1 January 1954.

(#) According to AHBE, IEME, box no. 164: "IEME. Balanza General de Pagos" for 1948 and 1949, Argentine credits for 1948 and 1949 amounted to \$177,368,331 and \$74,208,995, respectively.

(j) Expenditures corresponding to the \$65.2 million loan authorised in August 1950.

(i) Distribution of American aid in 1954 and 1955. Year 1954: Eximbank credits for a total value of \$10.9 million, \$24.3 million under the terms of "Defense Support Program", \$20 million for the purchase of wheat through the Commodity Credit Corporation, and \$5 million under the terms of "Public Law no. 480"; latter two figures from AD, DE-CE 1945-1960, vol. 371: OEEC C(56)201, "Conseil. Association de l'Espagne aux travaux de l'Organisation. Rapport du Groupe de Travail special du Conseil", Annex A, "La situation économique de l'Espagne", Paris, 25 July 1956, p. 35.

Year 1955: Eximbank credits for a total value of \$3.3 million, which was the remainder of the \$62.5 million of the congressional appropriations for Spain voted in August 1950, \$31.2 million and \$16.4 million under the terms of the "Defense Support Program" and "Public Law no. 480", respectively, and, finally, \$55 million provided under the terms of the "McCarran Amendment".

When the Franco-Perón Protocol was signed in March 1948, the Spanish Government had assumed that the agreement was intended as aid to Spain. The Agreement contained certain provisions for supplies of goods by Spain to the Argentine which the Spaniards had never seriously regarded as possible to fulfil. Indeed, they had tended to regard the agreement, as had the Argentines, more from its propaganda value than anything else. The Spaniards had not been particularly worried when the Argentines had insisted on writing into the agreement a very high price for the wheat to be supplied to Spain. The protocol also stipulated the need to guarantee an exchange rate for the counterpart pesetas at the disposal of the Argentine Government to finance a variety of projects in Spain. This was not negotiated at the time of signing in the rush to publicize the protocol in time to compensate for the unhappy end of Spain's Marshall Aid dreams.⁴ According to Luis Saéz de Ibarra, Deputy Governor of the Bank of Spain, there was a sort

⁴. See chapter three, pp. 226-27.

of gentleman's agreement that Spain needed not to worry about payment.⁵

Because of increasing financial difficulties, Argentina's aid to Spain came to a dramatic end.⁶ Buenos Aires brought in a new economic team to undertake a complete financial spring-cleaning. It requested that Spain refunded, at a beneficial exchange rate, counterpart pesetas accumulated in Madrid (which accounted for half of Argentina's exchange reserves) and pay pending credits in gold or dollars. It came as a great shock to the Spanish economic authorities when the Argentine demanded payment for the wheat. Spain's unwillingness to address this request led to the premature suspension of Argentine supply on credit at the end of 1949. Argentina's Minister of Foreign Affairs communicated to his Spanish colleague that it would be impossible to fulfill, from 1 January 1950, any of the bilateral agreements in force.⁷ Consequently, Spain's imports from Argentina dropped from 26.8 per cent of overall imports in 1948 to 2.7 per cent in 1950, and continued to fall until they reached 0.2 per cent in 1955.⁸ The initial threat of a suspension of cereal shipment (late in 1948) and the subsequent disappearance of Argentina as the main supplier (after January 1950) forced Spanish authorities to import cereals from elsewhere. Because the only other important wheat supplier was the dollar area, the IEME registered a deficit in dollar reserves of \$2.8 million by February 1949.⁹

The progressive deterioration of the Spanish-Argentine "special relationship" accentuated Spain's dependence on the United States for financial assistance. Spain's other

⁵. PRO, FO 371/79742: "Note of interview with Senor [Luis] Saéz de Ibarra [y Saéz de Urabain], Deputy Governor of the Bank of Spain, on March 30th, 1949", Annex to a report on Spain, 11 April 1949.

⁶. The Spanish authorities had anticipated only some temporary restriction of the supply from Argentina when the credit amounts for 1948 were exhausted; AHBE, IEME, box no. 4: S/C, 12 November 1948.

⁷. MAE, Leg. 4240, exp. 1: letter to the Spanish Minister of Foreign Affairs, Alberto Martín Artajo (July 1945 to February 1957), Buenos Aires, 27 December 1949. For a direct account of the Hispano-Argentine financial difficulties see José María de Areilza: Memorias exteriores, 1947-1964, Barcelona [Planeta] 1984, pp. 64-66 and 74-75. Areilza was then Spanish Ambassador to Argentina and, after November 1954, to the United States.

⁸. See table 1 on p. 3.

⁹. The position of IEME's reserves on 1 February 1949 presented deficits with regard to all the main trading currencies except the French and Moroccan francs, the Dutch guilder, Swedish kroner, the Uruguayan and Chilean dollar, and the Cruzeiro; AHBE, IEME, box no. 2: C/A, 1 February 1949.

major trading partner, the United Kingdom, was unable to make any substantial contribution in terms of economic aid to Spain. Therefore, the Spanish Administration's preparation for and the bilateral military-economic agreements with the United States, signed in Madrid in September 1953, are unanimously considered the most important elements of Spain's foreign policy. My entire research proves that this was not the case during the period from 1945 to 1955, the most significant decade for the survival of the Franco regime.¹⁰

4.2. The Preliminaries of American Economic Assistance

The impossibility to benefit from the European Recovery Program (henceforth, ERP) meant for the Spanish Government to face the only available alternative:

"L'Espagne ne desire pas bénéficier du Plan Marshall.
L'Espagne préfère négocier directement avec les Etats-Unis un

¹⁰. The most genuine study in the field of bilateral Spain-USA relations is Arthur P. Whitaker: Spain and Defense of the West: Ally and Liability, New York [Harper and Brothers] 1961. See chapter three, footnote 242, for references about the role of the U.S. Congress in bringing about a modification of policy towards Spain. Samuel S. Chavkin, Jack Sangster and William Susman (eds.): Spain: Implications for United States Foreign Policy, Stamford [Greylock Publishers] 1976, is a short unscholarly book. James W. Cortada: Two Nations over Time: Spain and the United States, 1976-1977, London [Greenwood Press] 1978, pp. 223 ff., provides no new information. Most subsequent publications on Spain-U.S. relations in the political, economic, and military fields derive from the studies previously cited (including those titles from chapter three). This must be noted because the original sources were public congressional records, the State Department's bulletin, early FRUS volumes, scarce material downgraded under the Freedom of Information Act, contemporary articles that appeared in newspapers and magazines, and, finally, interviews with officials at different posts in the American administration dealing with Spain. Eduardo Chamorro and Ignacio Fontes: Las bases norteamericanas en España, Barcelona [Euros] 1976, suffers from journalistic style and sensationalism. Viñas: Los pactos secretos de Franco con Estados Unidos. Bases, ayuda económica, recortes de soberanía, Barcelona [Grijalbo] 1981, is valid to show the disequilibrium of the 1953 bilateral agreements, although with no access to direct documentation for the negotiation process between April 1952 and September 1953. The Spanish documentation on the economic and military sides of the negotiations is either lost or kept secret at the different military archives in Spain. Even Luis Suárez Fernández, who benefits from Franco's private papers, must make use of Viñas' study for his chapter on the agreements with the United States; Francisco Franco y su tiempo, 8 vols., Madrid [Fundación Nacional Francisco Franco] 1984, vol. 5, pp. 100-25. The recently published volumes of FRUS for the years 1952 to 1957, which to my knowledge have not been used in any publication, provide an immediate, although temporary, solution for checking the economic aspect of Spain-United States relations presented in previous publications: Viñas et al., op. cit, vol. 2, pp. 741 ff; and R. Richard Rubottom and J. Carter Murphy: Spain and the United States since World War II, New York [Praeger] 1984.

accord qui aurait l'avantage de ne pas susciter de discussion dans les autres pays, comme cela pouvait être le cas avec la gauche travailliste anglaise ou avec les socialistes français."¹¹

The bilateral option meant looking for what it considered an attractive deal for the Americans. The exclusion of Spain from the ERP, the barring of any parallel American assistance, and the lack of consideration by the Truman Administration of the promises given by the Spanish Government for progressive economic liberalisation in exchange for assistance, all combined to force Spain to offer, as a last recourse, the use of bases and other military facilities on Spanish territory in return for economic help. The initial difference, thus, between Spain and the rest of Europe in relation to the installation of American military bases in Europe is that Spain offered the bases to the United States Government, while in other cases, the United States Government demanded military bases and facilities in exchange for military aid.

The Spanish Administration had not renounced obtaining massive aid from the United States for general economic rehabilitation. In January 1949, Spanish Minister of Industry and Commerce, Juan Antonio Suanzes, announced that if Spain did not receive immediate economic aid, an economic collapse would take place within six months.¹² Spain was heavily dependent upon foreign sources for fuel, raw materials and machinery to sustain its industries, and basic foodstuffs (cereals) to feed its growing population. All crude petroleum was imported and dependence on foreign supplies of coal was reduced, though not eliminated, by the utilisation of very low-quality domestic grades. Imports of raw cotton were required to maintain the important Catalonian textile industry, and Spain's agriculture was dependent on imports of fertilisers. Without other financial resources, Spain imported within the limits marked by foreign currency earnings. While gross exports financed 56 per cent of Spain's expenditure of foreign currency before the civil war, this figure has constantly increased since then. During the period from 1940 to 1945, this figure increased to cover 66.75 per cent, then stepped up to 71.61 per cent in

¹¹. Franco's declarations to an American reporter, as recorded in AD, Z/E vol. 71: French Chargé d'Affaires Bernard Hardion to Quai d'Orsay, "Declarations du General Franco", Madrid, 16 November 1948. In this interview, Franco urged the United States to lend Spain \$200 million.

¹². FRUS, 1949, IV, Culbertson, to Dean Acheson, United States Secretary of State from January 1949 to January 1953, Madrid, 17 February, p. 729.

1946-1948 and to 89.21 per cent in 1949-1952. The highest dependence of Spain's economy on exports' capacity to generate foreign exchange took place in 1950 when exports financed 99.70 per cent of the nation's expenditure of foreign exchange! Economic collapse did not take place, but Spain's balance of payments difficulties increased, i.e., gold resources dwindled from \$111.3 million to \$61 million between February 1949 and June 1950.¹³

There was a good deal of optimism in government and economic circles that foreign assistance was forthcoming. The Spanish Government was aware that British, French, and American military planners were all anxious to include Spain in western European security arrangements.¹⁴ The Spanish territory was important for strategic military operations in the Mediterranean and for keeping open operational lines to the oil-processing facilities of the Middle and Near East.¹⁵ The many references made by prominent Americans to Spain's virtues as an ally, which received full publicity in the officially inspired press, undoubtedly fortified the belief that the official attitude towards Spain in Washington was becoming increasingly military. Even though emphasis in security issues in Europe was still primarily political instead of military, and despite the fact that the West did not desperately need Spain militarily, the Spanish Government expected its offer of bases to encourage military planners to override the U.S. Department of State's political and ideological objections to granting aid to Spain. If policy makers in the United States could be persuaded that the security of their country involved a military interest in Spain, economic assistance would then become necessary to ensure general economic stability for the bases' security. Before the country could be expected to play any useful part in Western European defence, assistance should be provided long in advance of hostilities. Certainly, the Spanish Administration placed more reliance on

¹³. PRO, FO 371/96195: "Possible entry of Spain into OEEC", report drafted by the Economic Intelligence Department of the FO, London, 10 March 1951.

¹⁴. Paola Brundu Olla: L'Anello Mancante. Il problema della Spagna franchista e l'organizzazione della difesa occidentale (1947-1950), Sassari [Università degli Studi] 1990, and Qasim Ahmad: Britain, Franco Spain, and the Cold War, 1945-1950, New York [Garland Publishing] 1992, pp. 116 ff.

¹⁵. For the importance of the Middle East and the Mediterranean lines see Lorenza Sebesta: "The Middle East and European Security in the Fifties: A Historical Assessment", EUI Working Paper HEC No. 91/10, Florence, April 1991, and the references she provides.

extraordinary resources from the United States than on their trade relations. The Treaty of Friendship, Commerce, and Navigation offered in April to assist in the development of improved and mutually beneficial economic relations between the two countries did not interest the Spanish Government.

The Spanish thought they had finally opened the flow of assistance in April 1949. The Department of State had stopped objecting to Spain's application for credits to the Eximbank (the international lending agency of the United States Government) on the same conditions used for any other country. Uncertain about an economic breakdown, Culbertson recommended that Acheson give Spain access to credits from the Eximbank, which the latter accepted after some hesitation.¹⁶ The special emissary of the Spanish Government to Washington for matters related to Eximbank credits, Andrés Moreno, Chairman of Banco Hispano-Americano, presented requests totaling \$1,276 million, of which \$600 million were for consumer goods and \$676 million for capital goods.¹⁷ A study undertaken by Spanish financial and economic experts, reported Spain's requirements of foreign aid at \$500 million for 1949. This was entirely for capital goods - a hydro-electric plant, transport, a plant for the production of fertilisers.¹⁸ It should be recalled that, at the time of the Marshall Plan, the Spanish Government had requested from the United States' authorities \$676 million for capital goods; and that, early in 1948, it added an interim aid request for an additional \$600 million to import consumer goods.¹⁹ In other words, the financial requests Spain presented in the spring of 1949 were the same as those for which they had received no satisfaction since the summer of 1947. The complete transformation of the country's economy, forecast by the Spanish Government in the early 1940s as an imminent possibility, was still pending.

The condition of the Spanish economy in 1949 was grave. Drought had severely

¹⁶. FRUS, 1949, IV, Culbertson to Acheson, Madrid, 17 February, and Acheson to Culbertson, 13 April, pp. 729 and 735-37.

¹⁷. FRUS, 1949, IV, Acheson to Culbertson, Washington, 20 May 1949, p. 744.

¹⁸. PRO, FO 371/79742: "Note of interview with Senor Saez de Ibarra, Deputy Governor of the Bank of Spain, on March 30th, 1949", Annex to a report on Spain, 11 April 1949.

¹⁹. See chapter three, pp. 144 and 204-205.

cut the supply of electric power which had crippled many industries. Modest increases in coal production were achieved, but often at the expense of quality and at high costs. Lack of foreign exchange delayed the rehabilitation of the railways. The inadequate supply of raw cotton hindered the textile industry. The restriction on imports of raw materials and capital equipment hampered the development of private and public industrial plans. By 1949, raw materials, fertilisers, foodstuffs, and petroleum products accounted for 70 per cent of the total value of Spanish imports. Relatively little foreign exchange remained for imports of capital equipment, whether by private industry or by the Spanish National Institute of Industry (INI), the state organisation for industrial development of which the Minister of Industry and Commerce was president. Despite large peseta investments, only a small part of INI's plans had come to fruition. Generally speaking, the Spanish economy maintained the same severe handicaps to healthy development as were explained in the previous chapter.²⁰

The non-replacement of Spain's productive plant, internal mismanagement, the difficulties which had arisen with the Argentine over the wheat credit, and the effects of continued droughts which damaged the crops and emptied the reservoirs on which industry depended largely for its power, caused a quick worsening in Spain's foreign exchange situation. Spain's exclusion from Marshall Aid and the continuous absence of foreign financial assistance postponed the possibility of economic recovery. Spain had tremendous leeway to make up on reconstruction which in many sectors was overdue as far back as 1936. The full restoration of the Spanish economy seemed extremely difficult

²⁰. In this respect, it is useful to compare the 1948 and 1951 British economic surveys on Spain: John Walker: Economic and Commercial Conditions in Spain, April 1948, London [HMSO] 1949 and Clinton G. Pelham: Economic and Commercial Conditions in Spain (May 1951), London [HMSO] 1952. See chapter three, footnote 42 for bibliographical references on the Spanish economy and footnote 42 for references to INI's activities. In addition see "Cómo y cuánto ha crecido la economía española en la década 50-60", Información Comercial Española, no. 341, January 1962; Fabián Estapé: Ensayos sobre economía española, Madrid [Ariel] 1972; Javier Braña, Mikel Buesa and José Molero: "El fin de la etapa nacionalista: industrialización y dependencia en España, 1951-59", Investigaciones Económicas, no. 9, May-August 1979, pp. 151-207; Enrique Fanjul Martín: "1951-1957: El despegue de la industrialización en España", in Ministerio de Economía y Comercio: Lecturas de economía española e internacional. 50 Aniversario del Cuerpo de Técnicos Comerciales del Estado, Madrid [Secretaría General Técnica] 1981, pp. 125-49; and José Luis García Delgado: a) "Crecimiento industrial y cambio en la política española en el decenio de 1950. Guía para un análisis", Hacienda Pública Española, no. 100, 1986, pp. 287-96; and b) other references provided in the general bibliography.

without foreign financial aid, and the amount of foreign aid required to put Spain on a stable basis progressively increased. An increase in Spain's production and exports would allow the country to import more of its badly needed goods. Without aid, Spain had to limit imports entirely to essential goods and impose consumption restrictions on all kinds of Spanish products in order to increase exports. The Spanish people had to tighten their belts still further. The important question was how long Spain could muddle along in a worsening economic situation without major unrest. Without the extraordinary powers possessed by the government, extensive labour troubles would have inevitably occurred, as they did, under similar conditions in other countries with democratic governments.

The Department of State's policy to allow Spain to apply for Eximbank credits resulted in no economic benefit for Spain. According to the Department of State, credits were not granted due to the Eximbank's reservations as to the Spanish capacity to earn dollars that could be applied to the repayment of the credits rather than because of political discrimination. After making public the lifting of political objections to an Eximbank loan to Spain, Acheson himself affirmed that Spain was "a poor risk as long as it did not adjust its balance of payments and make other financial reforms."²¹ The reality was more complex. First, President Harry S. Truman did not favour Eximbank loans to Spain.²² Second, any encouragement or succour to Franco by giving loans to Spain appeared very disruptive of the Allied common policy towards Franco, especially when the British Government was in the process of reviewing its policy to accommodate the Americans at the United Nations.²³ Finally, the Eximbank authorities rejected the Spanish approach altogether. The Eximbank's policy was to provide specific credits for specific operations presented by the enterprises directly concerned (preferably not

²¹. The Spanish Ministry of Foreign Affairs protested against the questioning of the Spanish capacity to pay interest and amortisation on whatever firm commitment it acquired; *FRUS*, 1949, IV, footnotes 2 and 3, pp. 745-46.

²². For Truman's position see "The President's News Conference(s)" of 2 June and 14 July, 1949, reproduced in Public Papers of the Presidents of the United States. Harry S. Truman. Containing the Public Messages, Speeches, and Statements of the President, 8 vols. (hereinafter referred to as Truman, followed by the year-volume), 1949, pp. 155 and 271, respectively.

²³. PRO, FO 371/79211: "Policy towards Spain", agreed memorandum prepared by Sir Ivo Mallet, former British Ambassador to Spain, after meeting with Sir Roy Makins, Under-Secretary of State for Foreign Affairs (until December 1952) and Sir William Strang, 8 August 1949.

connected to the INI).²⁴ On their turn, the Spanish persisted in requesting credits for reconstruction and general economic development, apart from a few consumer goods. Moreno stressed that the Spanish capacity to repay credits depended on a long-range investment programme that would lower production costs and render Spain's position as a seller on foreign markets increasingly favourable, particularly regarding the United States. The Eximbank pointed out that Spain's inability to earn dollars was the result of the implementation of economic practices that were in complete variance with the American ideological commitment towards world-wide free trade and payments.

These practices included direct controls over imports and their distribution, INI's activities in competition with private industry, restrictions on foreign investment and, especially, the system of multiple exchange rates applying to various categories of imports and exports after December 1948.²⁵ The Spanish Government was reluctant to resort to outright devaluation, ostensibly because it feared that a rise in the peseta cost of imports would increase inflation, have a negative effect on Spain's already unstable internal finances, and hamper the promotion of domestic industrial output. The multiple exchange rate system, despite its apparent complexity, was specifically a non-declared progressive devaluation piloted from the Government.²⁶ Notwithstanding this, the continued overvaluation of the peseta served to discourage export trade by making exportation relatively unprofitable and by pricing certain Spanish surpluses out of the world market. Furthermore, overvaluation of the peseta made necessary the continuation of very rigid controls over imports because of the relatively low peseta prices of imported goods.

²⁴. That the Eximbank disliked funding INI's activities might have appeared illogical for those in Spain who believed that American credits were the result of Spain's increased importance for U.S. defence, since INI had basically a military interest. It did not only deal directly with defence industries (munitions, navy and aircraft construction) but with strategic sectors such as raw materials, steel, and transportation. See Pablo Martín Aceña and Francisco Comín: INI 50 años de industrialización en España, Madrid [Espasa Calpe] 1991, p. 135.

²⁵. FRUS, 1949, IV, Memorandum of conversation of State Department officials with Spanish diplomats in Washington, 1 November 1949, pp. 763-66. For the increasing future complexity of the mechanism of multiple exchange rates see Pelham, op. cit., pp. 18 ff., and Fernando Eguidazu Palacios: Intervención monetaria y control de cambios en España (1900-1977) Orígenes y evolución del control de cambios en España, Madrid [Héroe] 1978.

²⁶. José María Serrano Sanz: "El tipo de cambio en los años del cambio múltiple. Una estimación 1948-1959" (forthcoming). Serrano's estimate is based on the average rate of exchange obtained from all the exchange operations then in action.

The Spanish might have believed that France maintained differential exchange rates for imports and exports throughout 1949 and was unsanctioned by the International Monetary Fund. However, France unified exchange rates in September 1949 when the French franc was devalued to meet the British devaluation. After the 30 per cent sterling devaluation against the dollar and the subsequent general realignment of the European currencies, the ECA was more than ever insistent that all Western European countries maintain fixed exchange rates to support the new pound-dollar relationship.²⁷ At that time, the Spanish Council of Ministers considered it unnecessary to devalue the peseta, arguing that the system of multiple exchange rates permitted the adaptation of export prices to the new situation.²⁸

The Department of State expected to see previous *convincing evidence* to satisfy Spain's needs for financial assistance.²⁹ The Spanish Government demanded a previous firm commitment for long-term financial assistance that would allow Spain to demonstrate its capacity and willingness to proceed on the American-desired path, at least economically. Officials of the Chase National Bank indicated that IEME officials were "willing to remedy objectionable economic practices and policies in order to qualify [their country] for further private or official United States loans."³⁰ Americans blamed Franco's economic policy for Spain's financial difficulties. In Spain, this was considered a hostile attitude. In May 1949, Franco declared that he would not disdain foreign aid because it would speed up the rhythm of economic reconstruction, but that "if that help were conditioned by blackmail, we should refuse it and pursue our unchanging aims alone,

²⁷. Alan S. Milward: The Reconstruction of Western Europe, 1945-51, London [Methuen] 1984 [1987], p. 308.

²⁸. AHBE, IEME, box no. 2: C/A, 11 October 1949; and Pelham, op. cit., p. 19.

²⁹. Acheson refused to grant aid to Spain until its Government showed "convincing concrete evidence" of its intention to move towards less intervention; FRUS, 1949, IV, Acheson to Culbertson, Washington, 13 April and 31 October, pp. 736 and 762.

³⁰. Ibid., p. 729, footnote 3, referring to a memorandum of conversation not printed. In February 1949, the Chase National Bank granted a \$25 million fully secured revolving credit to the IEME for the purpose of alleviating the Spanish economic position. This loan permitted the importation of 100,000 tons of wheat and 30,000 tons of maize (apart from cotton and machinery); AHBE, IEME, box no. 2: C/A, 26 July and 11 October 1949.

although more slowly."³¹ The Spanish economic authorities declared that the lack of financial assistance had forced them to maintain what constituted emergency administrative practices concerning trade and payments, to the overall disadvantage of their economy. They argued further that the Marshall Plan not only accelerated recovery, aided reconstruction, and eased commodity bottlenecks by financing investment and imports, but, more significantly, allowed the receiving countries to ease direct controls.³²

Distortions of the administrative trade mechanisms and extreme controls in trade and payments were the result of a long-lasting scarcity of supply and financial resources rather than a most wanted policy-outcome. Import licensing was unavoidable in a situation of scarce foreign currency holdings, while the protection of Spanish industries was less relevant. The extreme need for resources allocation caused Spain, with unaided resources, to resist changing an economic policy that hindered a sound strategy of reconstruction and growth. Despite the fact that imports increased at an uninterrupted rate (which shows the effort to attain increases in output), output recovered very slowly. Low output limited export trade and, thus, the country's importing possibilities, which, in turn, further limited any increase of output. Exports could not increase without a recovery in output and improvement of productivity, which, in turn, required imports. This vicious circle, which occurred throughout Western Europe when reconstruction was undertaken with limited resources, was eased elsewhere by American relief.

In February 1950, Manuel Arburúa de la Miyar, president of Spain's Banco Exterior at the time and future Minister of Commerce, argued that Spain needed foreign

³¹. Eugene K. Keefe, David P. Coffin, James M. Moore, Jr., Robert Rinehart and Susan H. Scurlock: Area Handbook for Spain, Washington D.C. [U.S. Government Printing Office] 1976, p. 275.

³². A similar argument for the whole of Western Europe is found in Milward, op. cit. A more recent rehearsal of Milward's argument is presented by J. Bradford De Long and Barry Eichengreen: "The Marshall Plan: History's Most Successful Structural Adjustment Program", Working Paper no 3899 of the National Bureau of Economic Research, Cambridge (MA), November 1991. A shorter version of the previous paper is "The Marshall Plan as a Structural Adjustment Program", Discussion Paper no. 1576 of the Harvard Institute of Economic Research, Cambridge, November 1991.

aid, first, to complete economic reconstruction and, second, to diminish intervention.³³ In June, Culbertson informed Acheson that the Spanish authorities had told him: "political and economic evolution and liberalization can come only after economic improvement or rehabilitation, and that can come only as a result of outside aid."³⁴ The Spanish argument made no impression on the Department of State's understanding of Spain-U.S. relations. In sum, after two years of fruitless conversations, the Spanish-American dialogue was exactly where it had been in 1947. The American executive was not yet ready to grant any assistance to Spain.

The United States Congress seemed willing to curve the attitude adopted by the Truman Administration. The annual process of authorising and appropriating foreign aid allowed the Congress to exercise a greater influence over the direction of the United States' foreign policy with respect to Spain, than one might have expected. Some on Capitol Hill continued to express the opinion that Spain should be part of the ERP. They also claimed that, with their well-placed airfields, their key geographical position, and Franco's record of anti-communism, the Spanish should play an active role in the defence of the West. The opportunity for some members of the Congress to allocate funds for Spain came with the discussion of the Mutual Defense Assistance (MDA) Act of 1949.³⁵ The United States's foreign aid policy was now shifting from economic recovery to military security, following the approval of the North Atlantic Treaty (henceforth, NAT). When President Truman sent the NAT to the Senate in April 1949, the question arose at once concerning the relationship between the NAT and the military assistance programme for the Treaty countries that had not yet been submitted. On 21 July, the U.S. Senate approved the NAT, and a few days later President Truman submitted his request for military aid. The MDAA was enacted on 6 October and actually appropriated on 28

³³. "Comentarios económicos a una carta" and "Una política económica" published by Arburúa in the Madrid's newspaper Arriba, on 9 and 25 February 1950, respectively.

³⁴. FRUS, 1950, III, Culbertson to Acheson, Madrid, 20 June, p. 1565.

³⁵. Still valid and illustrative of the United States military assistance and mutual security is William Adams Brown, Jr. and Redvers Opie: American Foreign Assistance, Washington [The Brookings Institution] 1953 (see pp. 214-34 and pp. 455 ff., for the development of the MDA Program).

October.³⁶ The communist threat no longer consisted exclusively of the possibility of internal coups d'état by national communist parties, but also of a direct war with the Soviet Union. Rearmament was emphasised accordingly.

The contrast is obvious in the general terms of reference of the bills of foreign aid approved by the Congress of the United States. The "Foreign Assistance Act of 1948" enacted on 3 April 1948 (Title I of which was the "Economic Cooperation Act") intended to "promote world peace and the general welfare, national interest, and foreign policy of the United States through economic, financial, and other measures necessary to the maintenance of conditions abroad in which free institutions may survive and consistent with the maintenance of the strength and stability of the United States".³⁷ The "Mutual Defense Assistance Act of 1949" enacted on 6 October 1949 intended "to promote the foreign policy and provide for the defense and general welfare of the United States by *furnishing military assistance* to foreign nations."³⁸

Senator Patrick McCarran led the various attempts to attach riders to congressional bills earmarking funds to Spain at the time of congressional approval of the MDA Act of 1949 and voting annual appropriations.³⁹ This influential senator chaired the Senate Judiciary Committee between 1949 and 1953 and the Internal Security Subcommittee between 1950 and 1953. He was a member of the Senate Appropriations Committee and chairman of the Special Senate Appropriations Subcommittee on Mutual Security, the so-called "watchdog committee", that reviewed the budget requests of the State Department, among others. He was also a member of the Joint Committee on Foreign Economic

³⁶. P.L. 81-430, vol. 63.I, pp. 975 ff. Hereinafter, United States legislation bills quoted in this chapter will be cited by providing a public law number, preceded by the Congress that enacted the bill, followed by the corresponding volume, part, and pages of the United States Statutes at Large, Washington D.C. [U.S. Government Printing Office] various years. These volumes contain the public and private laws and concurrent resolutions enacted by the Congress of the United States, plus proclamations and international treaties.

³⁷. P.L. 80-472, vol. 62.I, p. 137.

³⁸. Emphasis added. P.L. 81-329, vol. 63.I, p. 714.

³⁹. Patrick A. McCarran (August 1876–September 1954), Senator (D) from Nevada (1933–1954). On 25 August 1953, Mr. McCarran was presented with the Grand Cross of the Order of Isabel la Católica for his efforts to improve Spanish-American relations. As we shall see, he certainly deserved it!

Cooperation formed in the 81st Congress. From these different positions, Senator McCarran acted efficaciously as an active crusader in favour of Spain. In particular, McCarran used the hearings of the Senate Appropriations Subcommittee to attack the Spanish policy of the Administration. On 5 May 1949, McCarran told Secretary Acheson

"...that so far as I am personally concerned as chairman of this subcommittee [Senate Subcommittee on Appropriations] I am not in favor of your policy with reference to Spain and until that policy is changed I am going to examine your appropriations with a fine tooth comb."⁴⁰

This direct threat to cut the appropriations for the State Department unless the Secretary altered his Spanish policy illustrates one of the most powerful weapons available to the Congress for working its will on the executive branch. It exemplifies one of the reasons for the fascination that the Congress produced on researchers dealing with the formulation of the United States' foreign policy from a bureaucratic point of view.

In July 1949, the Senate Appropriations Committee adopted a motion by Senator McCarran to devote \$50 million for a loan to Spain in the second year of the ECA programme of aid to Europe, through the fiscal year ending 30 June 1950.⁴¹ President Truman and his Secretary of State announced their opposition on the grounds that Spain was not a ERP participating country; the ECA officials stated that to include Spain in the recovery programme violated the principle of the European initiative in the ERP framework. The motion in favour of Spain was defeated in the Senate on 4 August 1949.⁴² In April 1950, in a debate on the third-year authorisation of the programme of aid to Europe, the Senate again refused an amendment for an Eximbank loan to Spain for

⁴⁰. Theodore J. Lowi: "U.S. Bases in Spain", in Edwin A. Bock and Alan K. Campbell: Case Studies in American Government, London [Prentice-Hall International, Inc.] 1962, p. 281. For a further description of McCarran's methods see McCarran: "Why Shouldn't the Spanish Fight for Us?" Saturday Evening Post, 28 April 1951, pp. 25, 136-38.

⁴¹. For congressional manoeuvring on the question of Spain see the excellent work by Brent Scowcroft: "Congress and Foreign Policy: An Examination of Congressional Attitudes Toward the Foreign Aid Programs to Spain and Yugoslavia", Doctoral thesis, Columbia University, New York, 1967.

⁴². Congressional Quarterly Almanac 81st Congress 1st Session 1949, Washington D.C. [Congressional Quarterly News Features] 1949, vol. V, pp. 199-200.

a total amount of \$100 million.⁴³ Finally, in August 1950, Senator McCarran introduced an amendment to the General Appropriation Act of 1951 (a bill providing appropriations for the operation of the entire government), earmarking a \$100 million loan for Spain out of ECA funds. After debate, the Senate accepted the proposal, but with the amendment that the United States Treasury was to advance the money which was to be administered by the ECA through the Eximbank under the credit terms of the Economic Cooperation Act. On 24 August 1950, a joint committee of the House and the Senate authorised a long-term loan of \$62.5 million to Spain; this was enacted into law in the General Appropriation Act.⁴⁴

President Truman and Secretary of State Acheson opposed the inclusion of Spain in the European aid package. In their attempt to abort the Senate's willingness to earmark funds directly to Spain, Truman and Acheson both suggested to Congress the possibility of considering credits for Spain separately from the rest of Europe. They reminded Congress that, on purely economic grounds, Spain was free to apply to the Eximbank for credits for specific and economically justifiable projects on the same basis as any other country.⁴⁵ What the Department of State intended was to be able to delay any credit to Spain with the observation of a strict economic orthodoxy. In order to apply for Eximbank credits, the Spanish Government had to prove first that Spain was a good investment target and that there was a reasonable prospect of repayment. Therefore, the poor state of the Spanish economy ruled out any loans to be granted on a normal basis. Truman and Acheson tried (unsuccessfully) to explain to the Senate that, if Spain had not yet received

⁴³. Congress and the Nation 1945-1964. A Review of Government and Politics in the Postwar Years, Washington D.C. [Congressional Quarterly Service] 1965. pp. 167 ff.

⁴⁴. General Appropriations Act of 1951, enacted on 6 September 1950. The following disposition was included under Chapter XI, Foreign Aid, Title I Funds Appropriated to the President, "Economic Cooperation": "[The Secretary of the Treasury] is hereby authorized and directed to make purchases [during the fiscal year ending 30 June 1951] in an amount not exceeding in the aggregate \$62,500,000 for the purpose of assistance to Spain, to be extended upon credit terms as provided in section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended." P.L. 81-759, vol. 64.I, p. 758.

⁴⁵. "The President's News Conference of August 3, 1950", in Truman 1950, pp. 569-70; "Letter from Secretary Acheson to Senator [Tom] Connally [Chairman of the Foreign Relations Commission of the U.S. Senate, until January 1953], January 18, 1950", in A Decade of American Foreign Policy. Basic Documents 1941-1949, New York [Arno Press] 1971, p. 893; and Acheson's criticisms to Senate action on 2 August, The New York Times, 3 August 1950, p. 18.

any credit, this was due to pure economic distrust, rather than political animosity against Franco.

When Acheson declared, in January 1950, his opposition to include Spain in the MDA Act, he was running counter to the pressure exercised by the military establishment to obtain military bases, in particular, after the Soviet atomic explosion of August 1949.⁴⁶ The American Chargé d'Affaires in Madrid, Culbertson, had asked Acheson to adjust relations with Spain accordingly.⁴⁷ Acheson was not impressed by the fact that the Spanish offer for bases provided a good chance to improve America's nuclear presence in Europe. Furthermore, air and naval bases in Spain would add depth to the defence of Western Europe, provide greater flexibility of movement for military forces and additional means for dispersion of bases in the conduct of offensive or defensive operations, permit the continuity of effort in the event that other bases become temporarily untenable, guarantee control of the western Mediterranean, and, finally, provide additional bases for anti-submarine warfare. Opposition to any military understanding with Franco's Spain remained unchanged despite the congressional pilgrimage to Spain in the latter part of 1949. Spain received a stream of notable right-wing American visitors -many of whom were members of both houses of Congress- all calling for closer western collaboration with Franco. Finally, it is worth noticing that, two months after the outbreak of war in Korea, Truman opposed the inclusion of Spain in any congressional bill of aid to Europe.

The expansion of Western European domestic defence efforts and military assistance from the United States were the two pillars of the NAT Treaty. The understanding was that assistance from the United States would complement European military expenditure beyond the point in which increasing military expenditure represented a burden for economic growth and welfare which provided political and social stability, the cement of Western security towards Soviet expansionism. If the MDA Act of 1949, approved after knowing that the Soviets possessed nuclear capacity, had shown the

⁴⁶. Lawrence S. Kaplan: A Community of Interest: NATO and the Military Assistance Program, 1948-1951, Washington D.C. [United States Government Printing Office] 1980, pp. 32, 38 and 139-40.

⁴⁷. FRUS, 1949, IV, Madrid, 3 October 1949, p. 761.

important role of military assistance and domestic rearmament in Europe, it also impeded rearmament considerations to overthrow the prior policy of improving living standards to contain communist expansion. Europe's military buildup was to be associated with the aims of the ERP of political and social stability through economic recovery leading towards European Unification.⁴⁸ The MDA Act intended "to promote the foreign policy" of the United States, and its definition remained within the attributions of the Department of State and the ECA. Military assistance was presented as an insurance programme to build up the confidence necessary for economic growth.⁴⁹

Military considerations were not to pilot the United States's foreign assistance programmes. That priority was to be given to political objectives was made clear by the refusal to accept the demand of the U.S. Joint Chiefs of Staff (henceforth, JCS) that military assistance be linked to the grant of military facilities and be transferred to the ultimate responsibility of the Pentagon.⁵⁰ Otherwise, it would have no longer been possible to neglect the strategic importance of Spain in a possible future war scenario in Europe. American strategic plans for the defence of Europe in 1948 and 1949 considered Spain the only fortress from which to regain the continent, once it had been overrun by the Soviets, with little or no opposition from either European or American defence forces.⁵¹ The overall control of the Department of State over MDA programmes pushed military logic aside.

Congressional attempts to provide financial support for rearming Spain, when it had posed so many problems in granting the amounts of aid necessary to fulfil the conditions of the NAT Treaty, were very much disliked by the executive branch. The

⁴⁸. Lorenza Sebesta: "I programmi di aiuto militare nella politica americana per l'Europa. L'esperienza italiana 1948-1952", Italia contemporanea, no. 173, December 1988, pp. 43-63.

⁴⁹. Dean Acheson: Present at the Creation: My Years in the State Department, London [Hamilton] 1970, p. 513.

⁵⁰. Sebesta: "American Military Aid and European Rearmament: The Italian Case", in Francis H. Heller and John R. Gillingham (eds.): NATO: The Founding of the Atlantic Alliance and the Integration of Europe, New York [St. Martin's Press] 1992, pp. 283-310, p. 284.

⁵¹. Sebesta: L'Europa indifesa: Sistema di sicurezza atlantico e caso italiano, 1948-1955, Florence [Ponte alle Grazie] 1991, pp. 29 ff.

attempt to include Spain into the MDA Programme of 1949 was strenuously opposed also because the military cooperation that this programme inaugurated constituted a vehicle for European integration. In November 1949, the Department of State was looking forward to NATO as a new force for political integration in Western Europe in a perfect union of economic recovery, national defence, and Atlantic partnership.⁵² Spain could simply not be part of the policy of an integrated military production and defence procurement among Western European countries that the United States was seeking on the basis of American weapons to reduce overall costs and strengthen the cohesion among Western European countries. The inclusion of Spain would only have added to the social upheaval expected against many governments facing increased military expenditures.

The Department of State was conscious that any initiative affecting military affairs had to be done very cautiously. It knew that the Spanish question could break the weak bargaining position that many governments in western Europe had vis-à-vis domestic opposition to increased levels of military expenditure. Any move towards a military understanding with Franco would disturb the balance in left-center and non-communist left-wing opinion, on which the European Union had been built. The MDA Programmes meant that the United States had a military commitment to the defence of Western Europe; but this was part of the broader goals set forth by the ERP, for which the exclusion of Spain was completely necessary.⁵³

Even at the time of the Korean War, military considerations did not replace the wider economic and political objectives which had formed the basis of the ERP. This was so, despite the new sense of urgency for a rapid shift from economic to military

⁵². Milward: "Nato, OEEC, and the Integration of Europe", in Heller and Gillingham (eds.), op. cit., pp. 241-52, p. 241.

⁵³. According to Sebesta, *L'Europa indifesa*, cit., p. 155, the MDA Program was conceived in agreement to the ERP principle that economic recovery constituted the essential element granting security to Europe. In May 1950, Acheson continued to link increased defence efforts to further progress in European integration; intervention at the conference of ministers of foreign affairs, London, "Record of Second Tripartite Ministerial Meeting held in Lancaster House on Thursday, 11 May 1950", Documents on British Policy Overseas, Series II, vol. II, The London Conferences: Anglo-American Relations and Cold War Strategy, January to June 1950, London [HMSO] 1987, pp. 315-16.

assistance, from morale to weapons.⁵⁴ The Korean War might have been important in persuading Congress that hostility against Franco Spain on ideological grounds was a luxury no longer affordable. But for the State Department, the Korean War strengthened the idea of an integrated defence to build up the military credibility of Western Europe and the need for increased economic coordination through NATO. Economic and political stability in Western Europe remained goals of U.S. foreign policy towards Europe.⁵⁵ European economic, political, and military integration were part of the United States' security policy itself, which necessarily excluded Spain.

The President and the Department of State preferred to reduce the official policy of ostracism toward the Franco regime by other means which did not imply any mechanism of direct aid, such as the repeal of the operative paragraphs of the December 1946 Resolution concerning membership of the specialised agencies and the withdrawal of Ambassadors. On 4 November 1950, the General Assembly freed member-countries from any practical obligation to govern their relations with Spain in any specific manner, except in regard to Spain's admission to the organisation. This new resolution led to the quick reappointment of heads of missions in Spain (which a number of South American and Middle Eastern countries had already disregarded).⁵⁶

⁵⁴. On 10 October 1950, President Truman promulgated the Mutual Security Act of 1951. This act gathered under one legislative authorisation the various programmes of assistance in which the United States was engaged (except for the operations of the Eximbank) for the main purpose of directing this help to strengthen defensive plans in the face of communist aggression. On 30 June 1951, what was left of the ERP was merged with the aid for military purposes under the MSA.

⁵⁵. Till Geiger and Sebesta: "National Defense Policies and the Failure of Military Integration in NATO: American Military Assistance and Western European Rearmament, 1949-1954", paper presented at the colloquium "The United States and the Integration of Europe: Legacies of the Postwar Era", University of Missouri, St. Louis, September 25, 1992; paper cited with permission of the authors.

⁵⁶. For an account of the difference in greetings offered to the Ambassadors of France and the United Kingdom with that of the United States, see the classic Max Gallo: *Histoire de l'Espagne franquiste*, Paris [Robert Laffont] 1969 (p. 219 of the Spanish ed.) and Rocío Luca de Tena y Bethencourt: "La vuelta a Madrid del Embajador británico (1950-1951)", *Bulletin d'histoire contemporaine de l'Espagne*, no. 8-9, June 1989, pp. 48-52.

4.3. Access to Export-Import Bank Credits

The \$65.2 million loan authorised by the United States Congress in August 1950 was the only United States aid programme granted and (partially) *delivered* to Spain before the signing of the bilateral agreements for bases in September 1953. It is, therefore, of great interest to review this loan carefully, not so much because of the amounts authorised, but because it will show clearly the limitations of the American policy of assistance towards Spain.

Congressional appropriations for Spain contradicted the views of those who were responsible for the formulation of and implementation of foreign policy -the President and the Department of State- who felt they were against the interests of the United States. Truman obstructed effective congressional authorisations to Spain. He would have loved to have rejected the loan to Spain, but he would have had to reject the General Appropriations Act of 1951, in which the loan appeared. On promulgating the bill, Truman clearly stated that the money was to be granted when mutual arrangements had been made with regard to the guaranty, conditions of amortisation, the purposes for which the money was to be used and, also, provided that such loans served the interests of the United States.⁵⁷ Apart from Truman's personal dislike for granting aid to Franco, it was necessary to allow enough time to establish rules of procedure in this unusual case of a country authorised to deal with the ECA without holding ERP membership.

President Truman himself established the granting conditions on 14 November.⁵⁸ In accordance with presidential directives, the funds authorised by the Congress for Spain were to be made available only for purposes making a "substantial contribution" to the Spanish economy. The State Department, the ECA, and the Eximbank agreed that a "substantial contribution" was a "lasting contribution for the benefit of the Spanish people

⁵⁷. "Statement by the President upon signing the General Appropriations Act, September 6, 1950", in Truman 1950, p. 616.

⁵⁸. Presidential directives explained in FRUS, 1951, IV, part 1, "Memorandum of the International Security Affairs Committee: Spain", 13 April, and Herbert E. Gaston, President and Chairman of the Board of Directors of the Eximbank, to the Embassy in Spain, Washington, 23 April, pp. 841 and 844-48, respectively. The following quotation in text corresponds to p. 844.

as a whole [excluding] therefore expendables." Credits were to be extended generally for private enterprises, excluding those favoured or controlled by the Spanish Government. It was up to the Spanish Government to finance the public sector with its own resources, exchange earnings and credits from Western European partners, or by ending the restrictions concerning private capital investment. Eximbank credits were to be granted on a project-by-project basis rather than on a commodity basis or for a general programme for equipment and long-term investment. This implied the rejection of both the Import Programme and the initial requests presented to the Eximbank in the Spring of 1949. Finally, credits were not to exceed an aggregate of \$25 million except after approval by the President, which meant a unilateral reduction of congressional authorisations. In sum, Truman's specific provisions restricted strongly any room for Spanish action.

An ECA press release (issued on 15 November) informed the Spanish Government of the general credit policy, but not of any reduction in the amount. The Spanish Under-Secretary for Foreign Economy and Commerce, Tomás Súñer y Ferrer, arrived in Washington on 23 November 1950 with the task of accelerating the urgent allocation of the credit with preference given to the purchase of consumer goods.⁹⁹ The initial Spanish proposal exhausted the \$62.5 million credit in purchases of five commodities: fuel, cereals, fertilisers, tractors, and cotton. The proposal was immediately rejected because it contradicted all presidential instructions. It surpassed the \$25 million limit, it was drafted on a commodity basis, and it left no room for private entrepreneurs. The Eximbank authorised a total of \$11.2 million for raw materials and capital goods for industrial reconstruction, but refused authorisations for cereal and fuel purchases.

The Eximbank proposed to allocate \$3.1 million for fertilisers (70,000 tons), \$5.1 million for cotton (5,700 tons) and \$3 million for tractors, which was altogether far below

⁹⁹. MAE, Leg. 10077, exp. 26: Súñer to Suanzes, Washington, 30 November 1950. The Under-Secretariat of Foreign Economy and Commerce dealt, in broad terms, with all matters related to the Eximbank credits.

Tomás Súñer y Ferrer (b. 1895), lawyer and diplomat, with an intense diplomatic career backing his appointment as Under-Secretary of Foreign Affairs in 1945 and of Foreign Economy and Commerce in 1948. After his departure from the Under-Secretariat in July 1951, he returned to his diplomatic career.

the Spanish requests.⁶⁰ With respect to non-consumer goods, the Spanish presented the usual ambitious projects and the Eximbank expressed serious doubts about realizing them within a reasonable time frame and limited financing. It is unfortunate that access to the files concerning the Eximbank credits deposited in the historical archive of the Bank of Spain are presently closed behind a forty-year rule for access. This documentation would have shown how the Spaniards presented up-dated versions of the different public plans incorporated already in the 1947 Import Programme.⁶¹

The Spanish found it incomprehensible that the Eximbank favoured the purchase of consumer goods less than the ECA.⁶² After the disappearance of Argentina as a supplier, cereal imports from the dollar area constituted a constant drain on dollar resources. Fertilisers and farming machinery were necessary to improve agricultural productivity, thereby reducing imports of foodstuffs. The allocation for fertilisers was hardly sufficient to purchase 15 per cent of import requirements, while the allocation for tractors represented about 30 per cent of the initial 1948 request for 2,000 tractors.⁶³ The Spanish textile industries had less than a one month's stock and worked at half their

⁶⁰. MAE, Leg. 10077, exp. 26: Suárez to Artajo and Suanzes, Washington, 19 December 1950.

⁶¹. See Viñas, the only scholar who has had access to these records: "La primera ayuda económica norteamericana a España", in Lecturas de economía española e internacional: 50 Aniversario del Cuerpo de Tecnicos Comerciales del Estado, Madrid [Secretaría General Técnica del Ministerio de Comercio] 1981, pp. 49-90.

⁶². MAE, Leg. 10077, exp. 28: Suanzes to the newly appointed American Ambassador, Stanton Griffis, Madrid, 14 March 1951. In fact, food, feed, fertilisers, raw materials, semi-finished products and fuel accounted for 74.9 per cent over the total ECA paid shipments between 13 April 1948 and 30 June 1951; Brown and Opie, op. cit., p. 220.

Stanton Griffis, Wall Street financier and show business manager, who acted as "diplomatic trouble shooter, accredited to dictatorships" (Poland, Egypt, Argentina and Spain). He was appointed to Spain in December 1950 with the purpose to create stability in a country opposed to Communism. Despite that his appointment meant the end of a four-year interregnum during which the United States had been without a diplomatic chief of mission in Madrid, Truman did not want to give the appearance of running to Spain after the United Nations General Assembly resolution of November 1950. Griffis was formally confirmed by the Senate on 1 February 1951 and presented credentials on 1 March. He terminated service on 28 January 1952, much to the dismay of the Spanish Government. For a detailed account on the debate on the return of Ambassadors to Spain, see Ahmad, op. cit., pp. 87 ff. An excellent insight into Griffis' action in Spain is provided by Griffis himself: Lying in State, New York [Doubleday and Company, Inc.] 1952, pp. 268 ff. (initial quotation to be found on p. 155).

⁶³. The first national congress of agricultural engineers, held in 1950, recommended the importation of 37,500 tractors over a period of three years; Pelham, op. cit., p. 28-29.

productive capacity. The shortage of imported coal after the outbreak of war in Korea and the subsequent rise in prices of many raw materials aggravated the supply situation and threatened to slow further the expansion of production.⁶⁴ The lack of sufficient good quality coal was a main factor hampering the recovery and development of the Spanish heavy industry. It was obvious that Spain's long-term needs were for investment capital, but the short-term needs were more pressing. Machine-tools could be purchased when dollar reserves increased through exports, or could wait to be purchased with future credits.⁶⁵

The Eximbank appeared intent upon ending the fiscal year by providing Spain with the minimum possible amount of credit. The uncommitted balance of congressional appropriations for a given fiscal year required special action by the lending authority to carry it over beyond 30 June. Since there was no indication to either side that this would occur, the Spanish authorities pressed to cash the corresponding authorisations completely. In April 1951, the Eximbank approved five credits totalling \$17.2 million out of a total amount of \$62.5 million, but it refused to consider Spain's requests for wheat, coarse grains, petroleum, and off-shore procurement fertilisers. The Spanish submitted fifteen new individual projects (fertiliser, mining, railroad, electricity, and aviation) requiring credits for a total value of \$32.7 million, plus additional demands for consumer goods (wheat, cotton and coal). The Spanish asked for a \$5 million increase for wheat purchases based on the fact that wheat supplied to Spain was 25 per cent higher priced than the market price established by the International Wheat Agreement.⁶⁶ They also asked to increase cotton purchases to 23,000 bales and to obtain from the United States the 500,000 tons of coal for general consumption that the United Kingdom announced, in a bilateral round of trade negotiations that took place early in March 1951, it was unable to provide. Nevertheless, the Eximbank rejected new credits for wheat, cotton, and coal. It considered the air installations and the fertiliser and mining projects. Railroads, power projects, or long-delivery aircraft for the Spanish Airlines received no consideration

⁶⁴. See chapter five, pp. 420-21.

⁶⁵. The Spanish authorities considered this to be an open possibility. Suárez made reference to an additional \$600 million credit; MAE, Leg. 10077, exp. 26: Suárez to Suanzes, Washington, 30 November 1950.

⁶⁶. See chapter seven, p. 540.

because of the large credits involved and the lack of detailed surveys of these sectors.⁶⁸ Finally, there were some technical problems involved which delayed the process of project approval. The Eximbank was very punctilious on the projects presented for financing, so Spain could share the responsibility for the delay in the execution of congressional authorisations.

As late as April 1951, Washington agreed to permit Spain to have access in fiscal year 1952 to the uncommitted balance of the \$62.5 million.⁶⁹ At the end of the month, the Eximbank (and the State Department) authorised Spain to purchase wheat, cotton, and fertilisers. However, they immediately informed the Spanish Administration that this authorisation was an exception that would not be repeated.⁷⁰ Finally, on 22 May 1951 the IEME granted the first authorisations. It had taken nine months to initiate the delivery of the \$65.2 million loan authorised by the Congress of the U.S. in August 1950. The largest single post-war loan made by the United States -a \$3.75 billion loan made to the United Kingdom in 1946- was exhausted entirely within twelve months after its approval.⁷¹ The contrast could not have been more striking.

Apart from the volume of aid, there is another element that differentiated Spain from the rest of Western Europe regarding American assistance between 1949 and 1953. Table 4.2 shows that grants constituted the highest proportion of American aid to the countries listed; for Spain grants were negligible. The financial terms of the Eximbank's loans to Spain constitute further proof of the Truman Administration's unwillingness to assist the Spanish economy. The first Spanish official to negotiate in Washington, Under-Secretary Suárez, wanted the favourable terms of ERP treatment for Spain, i.e., thirty-five

⁶⁸. Information in this paragraph is based on *FRUS*, 1951, IV, part 1, Gaston to the Embassy in Madrid, Washington, 23 April, p. 845, and Viñas, "La primera ayuda", art. cit.

⁶⁹. *FRUS*, 1951, IV, part 1, Acheson to Griffis, Washington, 27 April, p. 848.

⁷⁰. MAE, Leg. 10077, exp. 16: Aid-mémoire from the United States Embassy to Martín Artajo, Madrid, 26 April 1951. This policy was repeated publicly by Ambassador Griffis on 8 May at the annual meeting of the American Chamber of Commerce in Spain; *Lying in State*, cit., pp. 292-93.

⁷¹. Mervyn L. Weiner and Romeo Dalla-Chiesa: "International Movements of Public Long-Term Capital and Grants, 1946-50", *International Monetary Fund Staff Papers*, Vol. IV, no. 1, September 1954, pp. 113-78, p. 125. This study gives very underestimated amounts of aid for Spain.

years at 2.5 percent interest rate and repayment starting after the first five years. According to him, this would be the Congress' reason for having the credit authorisations administered by ECA under the European Cooperation Act's terms. In fact, according to the exact provisions of the General Appropriations Act of 1951, the Eximbank should have applied the ECA treatment to Spain. For its part, the Eximbank refused to accept this interpretation, and offered instead between five and twenty years as the redeemable period and an annual interest rate of 3.5 per cent. These conditions fell half way between private and Marshall Plan credits.⁷²

TABLE 4.2
TOTAL AMERICAN ECONOMIC AND MILITARY
ASSISTANCE TO WESTERN EUROPE, 1949-1952
(US fiscal years/in millions of \$)

France	5 900,9	Belgium-Luxembourg	1 280,1
United Kingdom	3 808,5	Turkey	778,3
Germany	2 954,1	Yugoslavia	518,8
Italy	2 366,3	Norway	658,2
Greece	1 327,1	Denmark	498,4
The Netherlands	1 805,3	Portugal	229,0
<hr/>			
TOTAL*	22 125	Spain**	52,8
Loans	8.5%		99.8%
Grants	91.5%		0.2%

Source: U.S. Overseas Loans and Grants and Assistance from International Organizations. Obligations and Loan Authorizations, July 1, 1945 - September 30, 1982 (*) Total without Spain (**) Authorisations. Effective purchasing financed by the Eximbank credit resulted in a total amount of \$29.4 million until December 1952.

The Spanish counterpart furiously opposed these terms and continued to insist that Spain be treated as a ERP country; Eximbank officials rejected this. For Suárez, "although not an official member state [of the Organisation for European Economic Cooperation, OEEC], Spain was collaborating fully [with the ERP] through a network of bilateral trade treaties".⁷³ The Council of Ministers in Madrid expected to obtain a clear-cut statement from the U.S. Congress to include Spain among the countries benefiting from the ERP.⁷⁴ Spain's trading experience with Western Europe during the immediate post-world war period continued to influence the Spanish perception of subsequent cooperation efforts in

⁷². MAE, Leg. 10077, exp. 26: Suárez to Artajo and Suanzes, Washington, 19 December 1950.

⁷³. Ibid.

⁷⁴. MAE, Leg. 3448, exp. 12: Report on the OEEC, dated 22 December 1950, presented to the Spanish Council of Ministers.

Europe. The Spanish believed that their bilateral trade with western Europe was sufficient to deserve special treatment from the United States. After long discussions, they obtained an amortisation period of twenty years at a 3.5 percent interest rate, reduced to 3 per cent during the five first years. In their minds, the Eximbank had denied them a few years of amortisation, a percentage point of interest rate, and the purchase of several commodities sent free to countries such as Yugoslavia.

The Spanish tried to show inconsistencies by comparing Yugoslavia with Spain, arguing that a communist regime was receiving what a future war ally was denied. Already in 1949 credits were provided to Yugoslavia by the International Monetary Fund, the Bank for Reconstruction and Development and the Eximbank. Wheat shipments valued at \$16 million were sent to Yugoslavia already in November 1950, while the Yugoslav Emergency Relief Act was under congressional discussion (finally signed by President Truman on 29 December 1950). From the inception of the programme, the United States agreed that financial assistance would have no political preconditions.⁷⁵ "I must confess", wrote Griffis in his memoirs, "that I am completely unable to understand this policy myself."⁷⁶

It was fallacious and ineffective to draw parallels between these countries. The different treatment offered by the United States to Spain and Yugoslavia was based simply on Washington's differences of perception of its "corresponding interests" with the two countries.⁷⁷ Apart from the fact that the former's leader and the majority of its people took an active part in the war on the side of the Allies and that Yugoslavia had received a rather generous flow of aid through UNRRA, Yugoslavia was tempted with the granting of economic assistance to break the Soviet monopoly of power in Eastern Europe.

⁷⁵. See Novak Jankovic': "The Changing Role of the U.S.A. in Financing Yugoslav Economic Development Since 1945", in Carl-Ludwig Holtfrerich (ed.): Economic and Strategic Issues in U.S. Foreign Policy, New York [Walter de Gruyter] 1989, pp. 255-72. This is an excellent contribution to the history of the USA-Yugoslav economic relations during the period from 1948 to the Reagan Administration.

⁷⁶. Lying in State, cit., p. 286. Brent Scowcroft: "Congress and Foreign Policy: An Examination of Congressional Attitudes Toward the Foreign Aid Programs to Spain and Yugoslavia", Columbia University, New York, 1969, shows that Griffis' attitude was shared by many in Capitol Hill.

⁷⁷. Quotation corresponding to Jankovic', art. cit., p. 255.

Yugoslav military and political independence, despite direct threats from the Soviet Union after 1948, together with signs of market orientation and a relatively open economy with direct assistance from the United States, were presented as weaknesses in Soviet strategy, and, hopefully, even as examples for other Eastern European countries. Washington had no major political interest in improving relations with Franco's Spain. If Yugoslavia represented the Achilles' heel in the Soviet bloc, Spain was a potential weakness for the Western bloc. However, as Scowcroft has shown, both countries were finally linked in the foreign aid legislative deliberation by the Administration in an attempt to draw a joint deal.

For Spain, endless negotiations continued in an attempt to make Congress' appropriations effective. By the end of November 1951, the ECA had approved investment programmes for a total amount of \$46,482,000, while the loan agreements signed amounted to \$34,551,000 and expenditures only to \$15,678,000; of which \$663,000 for electric power plants and \$15,015,000 for commodity assistance (i.e., wheat, cotton, and fertilisers).⁷⁸ No immediate allotments, on either a loan or grant basis, were made of the \$100 million appropriated in October 1951 for economic, technical and military assistance to Spain.⁷⁹ Actual commodity imports financed by the economic aid administered by the Eximbank amounted to \$57.2 million, distributed between 1951 and 1955: \$17.9 million in 1951, \$11.5 million in 1952, \$13.6 million in 1953, \$10.9 million in 1954 and, finally, \$3.3 million in 1955 (see table 4.1).⁸⁰ Eximbank credits financed 1.6 per cent of Spain's total imports in value between 1951 and 1955. The largest percentage of imports financed by Eximbank aid was 3.6 per cent of Spain's total imports in 1951. Previous Argentine credits proved to have been more important than the expected American aid. The \$36.4 million of the funds committed to capital development (60 per cent of the total credits approved), compared with the \$451.2 million forecast in the 1947

⁷⁸. ECA: Spain. Fact Book, Washington D.C., n/d, table 8.

⁷⁹. See *supra*, p. 299.

⁸⁰. According to the report drafted by a special working party set up by the OEEC Council to assess the Spanish possibilities for association, \$5.2 million still remained to be drawn in July 1956; AD, DE-CE 1945-1960, vol. 371: OEEC C(56)201, "Conseil. Association de l'Espagne aux travaux de l'Organisation. Rapport du Groupe de Travail special du Conseil", Annex A, "La situation économique de l'Espagne", Paris, 25 July 1956, p. 33.

Import Programme's modest draft, represented an extremely limited contribution to Spain's economic development.⁸¹

The Eximbank loan also brought to light the problem of coordination between technicians and diplomats. This conflict was a common feature in Spain's post-1945 international economic relations, especially when direct negotiations took place after years of diplomatic struggle and of monopolistic action by diplomats. Súñer's conflict with José Félix de Lequerica y Erquiza, the head of the Spanish Embassy and official Ambassador in the United States after January 1951, started immediately. Súñer argued that the political phase was over, that it was the time for the technicians to work without political interference and plots. Lequerica strongly objected to the differentiation between the political and technical aspects of negotiation. The Eximbank loan was a mere token of what Spain needed for general economic rehabilitation, Lequerica argued. According to him, the loan should be used to prove appreciation for those who had defended the Spanish cause in Congress and who could, subsequently, obtain greater aid for Spain as a result of its increasing importance to the United States within the progressive deterioration in international politics.⁸² This attitude brings us back to the Spanish offer

⁸¹. Non-Spanish researchers had always given too much importance to the initial granting of American assistance to Spain. Elena de La Souchère argued that American credits allowed Franco to be more intransigent once his economic problems had been somewhat reduced and his political prestige increased, "L'action américaine en Espagne et l'aggravation du franquisme", Les Temps Modernes, no. 72, October 1951, pp. 726-45. Rubottom and Murphy, op. cit., p. 21, made great pledges for this initial American contribution to Spain's economic growth. Joseph Harrison argues that it allowed the opening of the economy to liberal and outside forces in the mid-1950s, The Spanish Economy in the Twentieth Century, London [Croom Helm] 1985, p. 126. Finally, Ahmad, op. cit., finds it "hard to dispute" that this loan was the "life-saving operation for the Franco regime." On the other hand, Spanish researchers have never made exaggerated claims, Ramón Tamames: La República. La era de Franco, Madrid [Alianza Universidad] 6th ed., 1977, p. 522; Joan Clavera et al.: Capitalismo español: de la autarquía a la estabilización (1939-1959), Madrid [Edicusa] 2nd ed., February 1978, p. 189; Manuel Jesús González: La economía política del franquismo (1940-1970). Dirigismo, mercado y planificación, Madrid [Tecnos] 1979, pp. 182-87; Viñas et al., op. cit., vol. I, p. 557; and Viñas, "La primera ayuda ...", art. cit.

⁸². FRUS, 1950, III, 29 November, p. 1581, footnote no. 2, summary of Súñer's conversation with Dunham; MAE, Leg. 10077, exp. 26: Súñer to Suanes and to José Núñez Iglesias, Spanish Director-General of Economic Policy at the Ministry of Foreign Affairs, Washington, 30 November and 1 December 1950; and, exp. 18: Telegram from Lequerica, Washington, 11 April 1951. More details on Lequerica's position are found in María Jesús Cava Mesa: Los diplomáticos de Franco. J.F. de Lequerica, temple y tenacidad (1890-1963), Bilbao [Universidad de Deusto] 1989, pp. 317-18 and 322-23, and Viñas, "La primera ayuda", art. cit., pp. 67 ff. As Minister of Foreign Affairs (August 1944-July 1945) Lequerica showed a clear tendency to favour a predominant

of bases as the main bargaining tool of the Spanish Government to obtain substantial economic assistance from the United States Government.

4.4. Dollars-for-Bases Negotiations

The effectiveness of this offer depended on the balance between the United States' political objectives in Western Europe and Spain (according to the State Department and the President himself) and their military interests (according to the JCS). An investigation of Spain's possible involvement in Western European defence affairs would reveal the progressive weakness of the State Department's political hesitation in the face of military interests. A quick appreciation of this fact comes from the terms of the various National Security Council's documents on Spain, classified as NSC 72 from June 1950 to June 1951.⁴³ President Truman himself admitted that policy toward Spain changed "to some extent" as the result of advice from the Department of Defense.⁴⁴ However, the military and strategic aspects of the negotiations for the use by the United States' authorities of air and naval base facilities in Spain are not elaborated here.⁴⁵ Rather, the amounts and conditions of economic aid granted to Spain are the exclusive topics of this section.

role for diplomats in their struggle with the technical corps (see chapter one, p. 28). As Ambassador in Washington he continuously complained about the interference of economic technicians in the Hispano-American relations; i.e., APG, JE, Leg. 19, no. 2.2.: Telegram no. 205, "El diálogo McCarran-Conde de Vallesllano. Problemas políticos-económicos", Washington, 10 February 1954; and Viñas, Los pactos, cit., p. 179, footnote 37.

⁴³. NSC 72 "A Report to the National Security Council by the Secretary of State on United States Policy Toward Spain", 8 June 1950; NSC 72/1 "Views of the Department of State on United States Policy Toward Spain", 3 July 1950; NSC 72/2 "United States Policy Toward Spain", 15 January 1951; NSC 72/3 "Memorandum by the Secretary of Defense (Marshall) to the Executive Secretary of the National Security Council", 29 January 1951; NSC 72/4 "Statement of Policy by the National Security Council", 1 February 1951; NSC 72/6, "Statement of Policy Proposed by the National Security Council", 27 June 1951. Each one of these memoranda was designed to reconcile previous conflicting views between the State Department and the military men.

⁴⁴. "The President's News Conference of July 19, 1951", in Truman, 1951, p. 403.

⁴⁵. For the military aspect of the bilateral Spain-U.S. negotiations see Antonio Marquina Barrio: España en la política de seguridad occidental (1939-1986), Madrid [Servicio de Publicaciones del Estado Mayor del Ejército] 1986, pp. 493-574.

4.4.1. Fundamentals

In January 1951, State Department officials informed the British Ambassador in the United States that it was "impossible any longer to ignore the strategic importance of Spain and its military potential for the defence of Western Europe". They added the "conviction" that any Spanish contribution was to be "within the general framework of Western European defence and could not be a matter of bilateral negotiation" between the United States and Spain.⁶⁶ How could the change of position adopted by the Department of State be explained?

The normal solution to this dilemma has been to create a *crescendo* in the relevance of military affairs in Europe and, consequently, of the role that Spain could play in case of Soviet attack. This explanation leads "naturally" to the opening of the bilateral negotiations for the granting of Spanish military facilities to the Americans. This line of argument is unable to provide a satisfactory answer to an essential question: What caused the modification of the U.S. policy towards Spain in January 1951, when the same external conditions had existed since the autumn of 1949? If the news that the Russians had successfully exploded their own atomic bomb (September 1949) and the outbreak of war in Korea (June 1950) did not change the nature of U.S.-Spain relations, what was the catalyst for the sudden interest in negotiations for military bases in Spain in February 1951?

A provisional answer might be articulated around European attitudes towards rearmament.⁶⁷ The Korean War produced the integration of some U.S. military forces with NATO to show a clear commitment to defend the continent and brought more pressure upon the Western European allies, not only for the immediate implementation and expansion of defence efforts agreed within NATO, but for an increased multilateral coordination. The change in American attitudes towards Spain might have emerged

⁶⁶. PRO, FO 371/96181: Telegram no. 453, Sir Oliver S. Franks (British Ambassador in the United States from June 1948 to February 1953) to FO, Washington, 13 February 1951.

⁶⁷. I am presently undertaking specific research that, I hope, will be able to provide a more complete answer to the question.

gradually from American impatience towards the weak European efforts to increase military expenditures and the low chances of any real integration through military production. The reluctance of the European governments to disturb their pattern of growth due to the burden of rearmament meant that, despite the formal rearmament programmes presented by the NATO members in August 1950, Europeans unwillingly committed themselves to increased defence expenditures. They did so without additional American financial aid for the sake of preserving their consumer spending, taxation levels, and social welfare programmes.⁸⁸ French opposition to German rearmament meant that, without German industry and resources working for the European defence, NATO's plans for increased military forces could endanger economic recovery and NATO itself.

Once the United States authorities realised they could not persuade their NATO allies to increase their defence efforts in coordination, or to foster military integration within NATO, once they became aware that their views were not shared by their European partners, and once they recognised that their unitary model of integrated military production was diluted before independent domestic defence industries and forces (although partially financed with American military and economic assistance), the State Department finally considered the Spanish military contribution to the American effort to defend Western Europe.⁸⁹ At this point the President and the Department of State accepted the fact that Spain could play a role in the American strategy for the defence of Western Europe as a source for military bases to keep U.S. forces in Europe. Truman told Admiral Forrest P. Sherman, former Commander of the Sixth Fleet in the Mediterranean and Chief of the United States Naval Operations after the fall of 1949, "I don't like

⁸⁸. This was an American perception which did not totally match reality in the case of France and Britain, although it did so in the case of Italy. For the British see Till Geiger: "<<The next war is bound to come>>: Defence Production Policy, the Ministry of Supply and Defence Contractors, 1945-1957", in Anthony Gorst, Lewis Johnman and W. Scott Lucas (eds.): Contemporary British History 1931-1961: Politics and the Limits of Policy, London [Pinter] 1990, pp. 95-118. For France see Frances M.B. Lynch: "The Economic Effects of the Korean War in France 1950-1952", EUI WP. no. 86/253, December 1986, Florence. For Italy see Sebesta: "I programmi di aiuto", art. cit. For a comparative British-French approach see Geiger: "Korean War Rearmament and Economic Development in Britain and France, 1949-1960", Historians of Contemporary Europe Newsletter, vol. 6, June 1991, no. 1-2, pp. 71-81. For a comparative approach involving the three countries mentioned, see Geiger and Sebesta, art. cit.

⁸⁹. For the main points of this assertion (excluding its connection with Spain) see Geiger and Sebesta, art. cit.

Franco, and I never will, but I won't let my personal feeling override the convictions of your military men."⁹⁰ The lack of consensus among those involved in European security exempted the United States Government from the need to coordinate an allied policy towards Spain and precluded any proper consultation with the British or French (at the military or political levels), which would have produced endless problems and led to stalemate. In order to obtain operative results in the short-run, the American policy on Spain was separated from the attitudes of the Western European governments on the matter.

Only this set of circumstances could explain satisfactorily how the Department of State implemented a policy towards Spain independently from Europe, thus changing decisively the attitude towards Spain adopted at the time of the Marshall Plan. Using the issue of national security, the Department of State now admitted the need for Spain to make a military contribution to the defence of the West. Neither the political nature of the regime nor the strong and decisive opposition shown by the United Kingdom and France impeded the process of finding a way to acquire military bases in Spain. However, since a commitment for European unity still remained strong during the Truman Administration, any Spanish contribution towards European defence should be as undistruptive as possible, and thus, a bilateral pattern was selected. For the Department of State, a bilateral approach seemed potentially less disruptive to the political unity of NATO and the stability of the British and French Governments than opening the question of Spain's incorporation into NATO. No one in Western Europe was willing to add the politically very contentious issue of Spain to the troublesome question of German rearmament and participation in the integrated defence forces, which the Americans demanded as indispensable for the defence of the west.⁹¹

⁹⁰. Cit. in Benjamin Welles: Spain, The Gentle Anarchy, New York [Praeger] 1965, p. 287.

⁹¹. For the British and French, the political damage that would be inflicted on the western community outweighed the strategic advantages that would be accrued from associating Spain with western defence; i.e., PRO, FO 371/96181: Answer by Ernest Davies, Parliamentary Under-Secretary of State for Foreign Affairs, to a Parliamentary Question, 19 January 1951. A summary of the French position is found in *ibid.*, telegram no. 638 from FO to Washington, 16 February 1951.

The attitude of the Department of State officials pressing for the collective approach was a deliberate distortion of the position agreed to in Washington. The report sent by the Secretary of State to the NSC in mid-January 1951 (NSC 72/2) and the conclusions reached by the conference of American ambassadors in European countries, held early in February, recognised as politically impracticable Spanish participation in NATO, and agreed to move bilaterally to obtain military facilities in Spain.⁹² The stratagem worked out as planned. The British and French argued that some assistance to improve the effectiveness of the Spanish defence could be supplied outside NATO, and welcomed (with natural relief) a unilateral side-deal between Spain and the United States as a second-best alternative to Spain joining NATO.⁹³ They remained opposed Spain's entry into NATO, a diversion of supplies from more deserving NATO countries and Germany, and they always considered that strengthening the military possibilities behind the Pyrenees meant that the United States had some thoughts concerning the abandonment of the NATO strategy of West European defence on the Rhine, as if the United States contemplated abandoning the rest of Western Europe in the event of a Soviet attack and using Spain as the last fortress to which the allied forces could retreat and from which a liberating attack could be launched. Why the interest in a country that would become useful only if Europe were lost to the West? In very simple terms, Europe had to be defended at all costs, not liberated from Spain.

This was exactly what the Americans were looking for to deal directly with the Spanish authorities. By providing guarantees that the United States Government would reject the admission of Spain into NATO, that it would not deter the assistance being given to NATO countries, and that supplies would not be diverted from more deserving NATO countries closer to the scene of possible attack, the Americans were free to

⁹². FRUS, 1951, IV, part 1, "Report of the western European Ambassadors Conference at Frankfurt. Summary Record of Meeting Held at 2.00 p.m.", 5 February, p. 157.

⁹³. PRO, FO 371/96181: Despatch no. 637, FO to Washington, London, 16 February 1951. In June 1951, under pressure from the British Chiefs of Staff, the Foreign Office considered incorporating Britain into the United States' plan for a bilateral agreement with Spain once the French elections were over; the Americans rejected this; PRO, FO 371/96192: Telegram no. 3514, Sir Franks to FO, and top Secret "United States-Spanish Negotiations" signed by G.P. Young, Head of the Western Department at the FO, London, 5 and 9 November 1951, respectively.

establish the Spanish contribution on their terms without political interferences other than those logically presented at the negotiations with the Spanish.

For the Spanish Government, a direct accord of collaboration with the United States appeared "less complicated and more satisfactory" than facing direct Norwegian, Danish, Belgian, and French opposition on the question of Spain's incorporation into NATO.⁹⁴ At their first official meeting on 14 March 1951, Franco confirmed to Ambassador Griffis his willingness to work out a "bilateral pact" for the joint use of naval and ground bases for a common defence of the West.⁹⁵ However, as Franco made explicit to Admiral Sherman, who represented the U.S. Department of Defense and the JCS in exploratory conversations on the military level with Franco, there was a direct link between economic assistance and the use of military facilities.⁹⁶ The form and terms of economic assistance had to be resolved simultaneously with or previous to the military questions. Franco lectured Sherman that, apart from general economic support, the immediate improvement of the Spanish transport network as well as harbour and airport installations were required in order to make any military assistance or future military base programme worthwhile.

On 18 July 1951, Acheson confirmed in an official press statement that "tentative

⁹⁴. PRO, FO 371/96181: Dispatch from Madrid, "A Hearst Interview with General Franco", 31 January 1951. At the beginning of the summer of 1950, Martín Artajo had told the American Chargé that Spain, if invited, would not join NATO (quoted in NSC 72/1). For Spain's attitude to NATO see Marquina, op. cit., pp. 221 ff.; and Aldo Albónico: "Negozianti tra <<impotenze>> Spagna e Portogallo tra Patto Iberico e Alleanza Atlantica (1948-1949)", *Nuova Rivista Storica*, May-August 1990, no. 3-4, pp. 333-48.

⁹⁵. MAE, Leg. 3599, exp. 38: Report on the interview drafted by the Director of the American Section of the Spanish Ministry of Foreign Affairs (1949-1952), Pedro de Prat y Soutzo, Marquis of Prat de Nantouillet and Count of Pradère, aristocrat and polyglot who acted as interpreter, Madrid, 14 March 1951. Griffis' version is found in *FRUS*, 1951, IV, part 1, despatch to Acheson, Madrid, 15 March, pp. 807-9, and in *Lying in State*, cit., pp. 287-88.

⁹⁶. MAE, Leg. 3599, exp. 38: Note on the terms of the discussion between Franco and Sherman concerning rights to stage aircraft through Spanish fields, overfly Spain, and generally make use of Spanish air facilities, as well as to anchorage rights for naval vessels, which took place on 16 July in Madrid, by Marquis of Prat, 16 July 1951. Sherman's version found in *FRUS*, 1951, IV, pp. 832-34; and Griffis' version in *Lying in State*, cit., pp. 294-95. Prat, Sherman and Griffis' accounts always coincide on linking economic aid to the granting of military facilities on Spanish territory.

and exploratory conversations" were under way for a security agreement with Spain.⁹⁷ It was difficult for the Americans to formulate an economic aid programme specifically for Spain without clear knowledge of their own military requirements, from which to draw the desirable amounts and purposes of economic and military assistance. Moreover, there was no need to mention Spain in any official programme until the desired military arrangements were reached, for there were other means of providing military and economic assistance to Spain without attracting opposition from all corners. In anticipation of a variety of possible contingencies in Europe (including the possibility that non-NATO and non-OEEC countries might require assistance during a given fiscal year), the executive branch recommended in the draft of the Mutual Security Act (June 1951) that the Congress authorise the President to dispose of specific funds for military assistance without prior consultation with the NATO countries themselves. The MDAA of 1949 and its amendment in 1950 established that the President should consult with NATO before adding any country to the aid programme for Europe.⁹⁸ The Mutual Security Act of 1951, enacted on 10 October 1951, authorised the President to transfer military assistance up to 10 per cent of the aggregate of the funds made available from each of the three titles of the MSA bill to any unspecified non-NATO countries (i.e., Spain and Yugoslavia).⁹⁹ If it had been necessary, the Mutual Security Act draft bill for fiscal year 1952 would have permitted immediate military and economic assistance of approximately \$400 million to Spain, if transfer provisions were used to the maximum extent.¹⁰⁰

The United States Congress strongly disapproved these stockpile funds for two essential reasons. Generally, the Congress rejected the "unprecedented discretionary

⁹⁷. Department of State bulletin, vol. XXV, no. 631, 30 July 1951, p. 170.

⁹⁸. Brown and Opie, *op. cit.*, pp. 508-11; and Harry Bayard Price: The Marshall Plan and its Meaning, New York [Cornell University Press] 1955, p. 165.

⁹⁹. P.L. 82-165, vol. 65, p. 374.

¹⁰⁰. FRUS, 1951, IV, part 1, the Acting Secretary of State, James E. Webb (Under Secretary of State between January 1949 and February 1952), to the Embassy in Spain, Washington, 18 September, p. 852. A member of the Senate Committee on Assignments indicated that Spain could receive part of these funds; José Silva Aramburu (ed.): Historic Informative Memorandum of the Agreements between Spain and the United States, 2 vols., Madrid [Ediciones Oromi] 1953-54, vol. 1, p. 28. The latter book was published under the patronage of the American Chamber of Commerce in Spain. It represents the official story of the bilateral negotiations, and presents interesting details and observations.

authority" given to the President to grant military assistance to any country without previous congressional approval.¹⁰¹ In the case of Spain, the Congress wanted to grant specific authorisations. Despite the fact that the executive branch tried to forestall any congressional action to provide aid to Spain, Senator McCarran managed to include in the Mutual Security Appropriations Act of 1952, promulgated by President Truman on 31 October 1951, appropriations of \$100 million available until June 1952 for military, economic and technical assistance to Spain as part of the Mutual Security Act.¹⁰² In a repetition of 1950, assistance was granted for Spain without having been previously requested by the Administration, against the wishes of policy makers, and with no investment programme in mind.

Initially, the State Department and the President had not wanted to appropriate a specific amount of assistance to Spain. However, when the Congress authorised it, the President and the Secretary of State both relented. The Congress' insistence on economising on foreign aid severely limited the amount of aid at the disposal of the President. The lack of adequate funds to meet Spain's possible requests for economic assistance could jeopardize the success of military negotiations. In addition, the Spanish authorities had explained that no military facilities would be available without definite economic and military aid.¹⁰³

The experience under the Marshall Plan, when the Americans had offered only an empty hand while demanding significant political and economic reforms, and the difficulties encountered to cash credits through the Eximbank were not to be repeated. The official justification for the delay in the delivery of the aid was that the Department of

¹⁰¹. Robert A. Pastor: Congress and the Politics of U.S. Foreign Economic Policy 1929-1976, Berkeley [University of California Press] 1980, p. 265.

¹⁰². "Assistance to Spain: For economic, technical, and military assistance, in the discretion of the President under the general objectives set forth in the declaration of policy contained in the titles of the Economic Cooperation Act of 1948 and the Mutual Security Act of 1951, for Spain, \$100,000,000." P.L. 82-249, vol. 65, pp. 731. There had been a unsuccessful attempt to amend the bill in the House of Representatives to make \$200 million available to Spain; Scowcroft, op. cit., p. 81.

¹⁰³. FRUS, 1951, IV, part 1, Acheson to the Embassy in Madrid, and Griffis to Acheson, 23 and 25 June, respectively, p. 849.

State was waiting for reports from the military and economic missions sent to Spain.¹⁰⁴ The publicity granted to the execution of a limited share of the pending Eximbank loan and the arrival of the corresponding goods served partially to offset criticism by the Spanish Government and business people of the extreme slowness in extending Eximbank credits and the lack of information about the intentions of the Americans about starting the new aid programme offered under the terms of the Mutual Security Act.¹⁰⁵ Nevertheless, the Spanish Government maintained its firm position that, before granting base rights, the United States' authorities must reiterate their determination to provide long-term economic assistance to Spain.

The different interpretations of the interdependence between the granting of base facilities and the commitment to assist in the improvement of Spain's economic and military situation delayed an agreement until September 1953. The Spanish Government wanted to receive assurances that Spain would be considered eligible, in principle, for aid over a period of years on an equal basis with other nations. The American team hammered continuously that the United States Government could not commit itself to specific long-term amounts and types of aid beyond the extent of the provisions of congressional appropriations. This clash between the American and Spanish positions explains better than other political, economic, or diplomatic factors the timing of the negotiations and the nature of the agreements.

4.4.2. The Bargaining Process

Economic aid was the United States' chief bargaining weapon in the negotiations

¹⁰⁴. Following Admiral Sherman's visit to Franco, the Department of State announced that it was sending military and economic missions to Madrid to assess the degree of Spanish economic and military needs, in order to make the corresponding proposals in exchange for base-rights. The exploratory military mission (Joint Military Survey Team, hereinafter JMST) led by Air Force Major-General James W. Spry, and the economic mission (Temporary Economic Cooperation Administration Survey Group, hereinafter TESG) headed by Professor of Economics at Syracuse University, Sidney C. Sufrin, representing the ECA and the Eximbank, arrived in Madrid in August 1951 and left before the end of the year.

¹⁰⁵. FRUS, 1951, IV, part 1, Webb to the Embassy in Spain, Washington, 12 December, p. 857.

with the Spanish Government to obtain the concession of precise military requirements. The President, at whose discretion the Congress had placed the appropriations for Spain, blocked them until the American negotiators obtained the desired military facilities. Since military negotiations had not yet even begun, Truman's position implied that the amount authorised for Spain had become the American economic subscription for an economic-military agreement with Spain. Initially, at least, the Americans had no intention of going beyond an "economic aid for bases" deal; the granting of any military aid required first raising the matter in the NATO.

The group assigned by the ECA to prepare an official survey of the requirements of the Spanish economy proposed a one-year aid programme amounting to \$130 million worth of imports. Additional aid of \$195 million was to be spread over four subsequent years in the following sequence: 79-66-37-13, in order for the Spanish economy to bear the complex burden of military activity. According to Sufrin, this aid programme would increase industrial production by 6 to 8 per cent and agricultural production by 12 to 20 per cent after the first year.¹⁰⁶ The report stated that American aid was directed towards supporting and assisting future U.S. military activities in Spain. However, only about \$35 million of the commodity composition of the first-year import programme related to possible military activity. The rest of the import programme consisted of \$80 million for petroleum, coke, steel, scrap, rubber, automobiles, trucks and buses, mining equipment, equipment for the production of chemicals, mules, tractors and agricultural machinery, hybrid seed corn, fertiliser and insecticides. The remaining \$15 million were for machine tools. When the military agreements had been signed, Sufrin proposed to make available to the Spanish Government ample funds to import comestibles in order to maintain the natural inflationary tendency of the assistance programme under control. It was not clear whether these were funds in addition to the total assistance programme mentioned above or part of it.

The American Embassy believed it was necessary to move ahead on the economic

¹⁰⁶. TEGS (ECA) Madrid: Report on the Spanish Economy, 2 vols., Madrid, 20 December 1951.

aid issue simultaneously with negotiations on the military.¹⁰⁷ The lack of clear knowledge of the United States' military requirements in Spain blocked any action. The JCS' first proposal went beyond the development of a base programme to the "development of the Spanish military potentialities to the maximum degree possible within the existing United States limitations, in order to [...] aid in the defense of Western Europe."¹⁰⁸ This proposal neglected completely the basis upon which the existing consensus with the NAT allies was obtained. Anything over and above the use and development of Spanish ports and bases by American forces, over-flight rights for American aircraft, the exchange of military information with Spain and the provision of military advice, some training equipment and obsolete equipment, was to be at the expense of NATO and in disagreement with the NAT allies.¹⁰⁹

In addition to introducing uncomfortable political implications, the estimated cost of the military requirements set forth by the JCS were much higher than expected. The Department of Defense declared that it had no budgetary provisions for use in Spain.¹¹⁰ After all the conversations, publicity and surveys that were carried out in Spain in 1951, it was hard to believe that the only money that the Department of Defense had to play with was not the result of its own planning, but of the foresight of one Senator expressed in a last-minute amendment. The previously-mentioned stockpile amounts were a possible source of funds, and the base programme for Spain was surely the kind of activity envisaged in the Military and Naval Installations Construction Act, which authorised a

¹⁰⁷. "Regardless of whether the Spaniards will grant us military facilities without economic concessions, I think that most of us here are in agreement with Sufrin's thesis that a thoughtful economic aid program is essential in support of our military objectives and that this support should be simultaneous with and not subsequent to initiation of the military program." *FRUS*, 1952-1954, VI, part 2, Jones to Dunham, Madrid, 9 January 1952, p. 1783.

¹⁰⁸. *Ibid.*, Assistant Secretary of State for European Affairs (until January 1953), George W. Perkins, to the Deputy Under Secretary of State (until September 1953), H. Freeman Mathews: "Defense Department Recommendations regarding Spain", 24 January 1952, p. 1786. This document contains the recommendations of the Department of Defense on Spain, the JCS' comments and recommendations in terms of tentative military requirements in Spain, and the draft terms of reference for the military negotiators.

¹⁰⁹. PRO, FO 371/96192: Top Secret "United States-Spanish Negotiations", by Young, London, 9 November 1951.

¹¹⁰. *FRUS*, 1952-1954, VI, part 2, Perkins' memorandum to Mathews, and Dunham to Jones, 28 and 30 January 1952, pp. 1791 and 1793, respectively.

world-wide base-building programme of a magnitude of approximately \$5,000 million.¹¹¹ It must have been shocking to contemplate that the Department of Defense was dependent upon the \$100 million of congressional appropriations for its extensive programme in Spain.

Military megalomania failed (momentarily). Any implication of Spanish involvement in the defence of Western Europe disappeared from the list of military requirements. Returning to the original policy approved by the President and cleared through with the United States' main NATO allies (as expressed in NSC 72/6 of June 1951), the negotiation position called for the development and use of the minimum necessary air, naval, and related logistic facilities required by the United States in Spain.¹¹² In compensation, Spain was to receive the strict assistance necessary for the development and protection of the desired base facilities, token training equipment and possible aid to Spanish munitions industries.¹¹³ In order to check excessive military requests, the Department of State considered the negotiations for the conditions of granting economic assistance intrinsically linked with the negotiations for military facilities.

The absolute priority presiding over the distribution of congressional appropriations for Spain that was proposed as a working basis for negotiation was support for the United States' military requirements rather than for general economic development. The only direct military assistance presented in the breakdown of the funds was material

¹¹¹. P.L. 82-155, enacted on 28 September 1951, vol. 65, pp. 336 ff.

¹¹². The estimated cost of the bases-construction programme totalled approximately \$405 million: \$15 million for railroad equipment and, approximately, \$390 million for construction costs of the Navy (\$60 million) and Air Force requirements (\$330 million) to be phased evenly over a three-year period at the rate of approximately \$130 million per year. Previous experiences indicated that 40 per cent of the total cost required in each of the three years of the construction period would be in dollars (i.e., \$52 million during the first year) and 60 per cent in pesetas (i.e., \$78 million during the first year). The Department of Defense concurred to provide \$52 million per year to pay the dollar cost of the construction work during the first year of a three-year programme of air and naval bases construction and related logistic facilities; Secretary of Defense Robert A. Lovett (September 1951 to December 1956) to Acheson, 4 March 1952, summarised in *FRUS*, 1952-1954, VI, part 2, p. 1803, footnote 7.

¹¹³. *Ibid.*, "U.S. Military Requirements in Spain. Paper prepared in the Department of State", Acheson to Lovett, 11 February 1952, p. 1801.

for training purposes. However, the reader should be aware that economic aid covered items directly related to military needs (transportation equipment, industrial items for the munitions industry, other items related to the needs of the Spanish defence establishment) and agricultural commodities. "Economic aid" or "defense support" was merely a question of terminology.¹¹⁴ "Defense support" was MSA's new cold-war label for what the old ECA referred to as "economic aid".

The rehabilitation of the Spanish transportation system was to be carried on exclusively to the extent that it met the U.S. Army requirements for transportation support. The specific economic projects to be financed were for the development of industries closely related to the support of military objectives, such as the Spanish munitions industry and strategic materials production (i.e., copper, tungsten and pyrites). The import programme worth \$50 million in dollar commodities was calculated exclusively to offset the internal inflationary impact of \$100 million equivalent in future peseta investment, rather than in consideration of the Spanish import needs. The so-called "defense support assistance" meant the strengthening of those sectors of the Spanish economy necessary to support new military commitments (see table 4.3).

A certain amount of economic aid was necessary to create sufficient spendable counterpart funds to meet the peseta costs which the United States would incur (the most important of which was the base construction programme). All dollars advanced for economic and technical assistance on a grant basis (excluding military aid, but including economic assistance allocated to projects supporting military goals), required the deposit of the equivalent amounts of local currency by aid-receiving governments into specially designated and blocked central banks accounts. These deposits were known as *counterpart funds*. Their use was a matter of bilateral negotiation with the United States' authorities. In this case, since the amount of disposable counterpart pesetas was inferior to the total peseta investment forecast through fiscal year 1953, the future use of these funds became a matter of hard bargaining.

¹¹⁴. Brown and Opie, *op. cit.*, p. 505.

TABLE 4.3

**PROGRAMME FOR EXPENDITURE OF MSA CONGRESSIONAL
APPROPRIATIONS FOR SPAIN THROUGH FISCAL YEAR 1953**
(in millions of dollars)

	Dollar Financed Imports	Pts. Inv.	Counterpart Deposit Generated
Naval and Air Force base requirements	52*	78	--
Import commodities programme	50	--	50
Investment for economic development, including strategic materials production	17	17	17
Transport rehabilitation programme	15	--	15
Military end-items for training purposes	12	--	--
Development of munitions industry	5	5	5
Technical assistance	1	--	1
TOTALS	152*	100	88

Source: FRUS, 1952-1954, VI, part 2, "Program for the expenditure of \$100 million MSA appropriation for Spain". Report by the Interdepartmental Working Group on Spain to the Chairman of the Mutual Assistance Advisory Committee (henceforth, MAAC), Lincoln Gordon, Washington, 26 February 1952, p. 1814. The MAAC was created in November 1951 as an interdepartmental coordinating agency for mutual security programmes, with representation of the Departments of State, Defense, Treasury, the Office of Defense Mobilization, and the MSA. (*) The direct dollar and peseta costs of base requirements in Spain were to be financed from sources other than the \$100 million from MSA appropriations.

The distribution proposed would not have pleased the Spanish Government. It disregarded the need to provide assistance for general economic purposes and for strengthening the military potential in connection with the new military responsibilities. It was true that official Spanish declarations assured that Spain's most urgent needs for economic assistance were in those fields related to both, military plans and the civilian economy.¹¹⁵ However, the overall funds allocated were too limited. Artajo informed the newly appointed Ambassador Lincoln Mac Veagh that the existing congressional appropriations of \$100 million were "a mere drop in the bucket compared with actual needs".¹¹⁶ According to Minister Arburúa, the stabilisation of the Spanish economy required no less than \$500 million; the total aid figure the Spanish authorities hinted at

¹¹⁵. FRUS, 1952-1954, VI, part 2, "Memorandum of Conversation" between Foreign Minister Martín Artajo and Perkins who was visiting Madrid after a North Atlantic Council in Lisbon, 29 February 1952, p. 1823.

¹¹⁶. Ibid., "Conversation with Spanish Foreign Minister on forthcoming negotiations, March 31, 1952", Mac Veagh to the Department of State, Madrid, 1 April, p. 1831. Mac Veagh had negotiated for American military bases in the Azores while acting as Ambassador to Portugal. He served shortly for one year after March 1952 as Ambassador to Spain.

in the spring of 1952 was approximately \$1,000 million.¹¹⁷ Negotiations with the Spanish Government would be difficult unless the United States offered considerably higher sums than the already existing congressional appropriations.

In April 1952, the Joint United States Military Group (henceforth, JUSMG), under the leadership of Major General August W. Kissner, USAF, and the Mutual Security Agency Economic Group, with George F. Train as chief, arrived in Madrid initiating talks of a preliminary nature, under the authority of the newly appointed U.S. Ambassador in Spain, Lincoln Mac Veagh, who had previously shown in Greece and Portugal his expertise for this kind of negotiations.¹¹⁸ Preliminary talks were directed toward eliciting from the Spanish a sense of what the United States would have to pay in military, economic, and political terms in order to acquire base rights. The Spanish negotiation team was composed of General Juan Vigón Suerodfáz, Chief of the Spanish General Staff (<<Alto Estado Mayor>>), for the military aspects and a team of officials for the economic side: Under-Secretary of Economic Affairs Jaime Argüelles y Armada, Director General of Economic Policy at the Spanish Ministry of Foreign Affairs Mariano de Yturralde y Orbegoso, and Juan Bárcenas y de la Huerta, the new Director of the American Section of the Ministry of Foreign Affairs. General Vigón responded to the <<Junta de Defensa Nacional>>, the top military policy-making body in Spain, which was chaired by Franco and included the three defence ministers, the three chiefs of staff, and the chief of the high general staff.¹¹⁹

The two sides began their talks almost poles apart in their interpretation of a *quid pro quo*. The official instructions for the MSA negotiating team during the first months of negotiations were utter nonsense. They demanded that the Spanish Government advance the peseta counterpart to finance the peseta cost of the military construction

¹¹⁷. According to Viñas et al., op. cit., p. 760, with the benefit of the documentation from IEME barred to me under a 45-year rule.

¹¹⁸. Ambassador Mac Veagh presented credentials in March 1952 and terminated service exactly one year later.

¹¹⁹. For the <<Alto Estado Mayor>> and the <<Junta de Defensa Nacional>> see José María Comas and Lucien Mandeville: Les militaires et le pouvoir dans l'Espagne contemporaine. De Franco à Felipe González, Toulouse [Presses de l'Institut d'Etudes Politiques] 1986, pp. 62 ff.

requirements before 30 June 1953.¹²⁰ In other words, the Spanish Government should provide base facilities and the counterpart funds for their construction before the United States' authorities had committed themselves to any long-term programme of assistance for Spain, before the actual delivery of any commodity had taken place, and with no improvement in the country's own defence effort.

Under these circumstances, any further congressional appropriations became signs of the seriousness of the American commitment to help the Spanish economy if satisfaction regarding the military facilities were granted. A new appropriation of \$25 million for economic, military, and technical aid during fiscal year 1953 was added to the \$100 million already authorised but not used in the previous fiscal year. In fact, this act established that "not less than \$25,000,000 of the funds made available [...] shall be used for economic, technical, and military assistance to Spain".¹²¹ The American negotiators reduced the new amounts available for Spain to the minimum. This amount was allocated for military aid over and above the \$12 million listed in the original breakdown of \$100 million, thus making a total of \$37 million for military aid in fiscal year 1953. The American negotiators insisted that \$125 million was all the assistance they were prepared to offer: \$37 million for military equipment and \$88 million for purchases of an economic nature. It was obvious that there was no assessment of any reasonable *quid pro quo*, since the amounts that the Congress happened to vote for aid became the offering price for bases.

Dissatisfaction with the small amounts offered led the Spanish Cabinet, on 4 July 1952, to bring the negotiations to the first important standstill. The Spanish Government confirmed that it would be impossible to obtain a base agreement in the form then being proposed, no matter how the Americans sliced the actual aid figure. Arburúa, who was anxious to sign the economic part of the agreement, felt that the amounts proposed for

¹²⁰. FRUS, 1952-1954, VI, part 2, "Interdepartmental Policy Statement on Spanish Aid Negotiations", adopted at MAAC, Washington, 20 March 1952, p. 1827.

¹²¹. Mutual Security Act of 1952, enacted on 20 June 1952; P.L. 82-400, section 101 (c), vol. 66, pp. 141-42. The provision continued by making available the balances of previous appropriations until 30 June 1953.

economic assistance were too low to permit the development of concrete programmes for several years. For General Vigón, the sums offered as military assistance would not provide adequately for the defense of the national territory in light of the increased vulnerability of Spain which would result from an agreement permitting the United States to construct and utilize bases. What the Americans called "mutually satisfactory provision for the use of military facilities" meant, in reality, that the United States was free to use the bases unlimitedly during times of peace and war. If the United States' position was such that a total of \$125 million was all that was available in fiscal year 1954, the Spanish Government felt that the use of the bases in the event of an emergency should be the subject of an agreement negotiated "au fur et à mesure" as Spain's economic and military capability developed as the result of the implementation of the mutual defence and economic agreements.¹²²

The Spanish Government was inclined to sign the economic cooperation agreement and the so-called "mutual defense agreement" at the very moment the first congressional appropriation concerning Spain occurred. However, the agreement for the bases should be postponed until the amounts voted by the Congress for assistance became available and an adequate readjustment of the economic offers had taken place. It further requested the use of the peseta counterpart for its own investment plans, rather than for the construction of bases. This position represented a *tour de force* that the Spanish Government could not take very far. It was intended to call attention to the disproportion between the amounts offered and the obligations arising for Spain from an eventual agreement.

The Spanish position was not unreasonable. The \$125 million voted by the United

¹²². Paragraph based on FRUS, 1952-1954, VI, part 2: a) "Record of a Meeting Between United States and Spanish Representatives, Madrid, July 5, 1952", pp. 860-62, where Jaime Argüelles and Francisco Javier Elorza y Echaniz, Marquis of Nerva, informed their American colleagues of the official position adopted at the Council of Ministers and of the individual positions of some ministers involved; and b) Mac Veagh to the Department of State, Madrid, 12 July 1952, pp. 1862-65, enclosing the English translation of a text handed to him by the Spanish authorities stating the differences between the two governments. Unfortunately, the Spanish position was greatly weakened because Foreign Minister Artajo confirmed to Ambassador Mac Veagh that "no Spanish intention exists to terminate the negotiations if the suggestions of our memo are found unacceptable." Ibid., 25 July 1952, p. 1867.

States Congress for economic and technical assistance to Spain were not subject to conditions or reserves related to the conclusion of any defence agreement for the granting of military facilities. The application of congressional appropriations required only the signing of agreements under the Economic Cooperation Act of April 1948 and the Mutual Security Act of October 1951 to assist the Spanish economy and military preparation. Neither the texts of the laws cited nor the authorisations of assistance linked economic assistance to Spain to the granting of base facilities. It was the American executive that conditioned the granting of assistance upon the conclusion of a military bases agreement. This was the agreement that encountered the main difficulties and made it possible for the United States Government to leave the delivery of any congressional funds in suspense. The Spanish requests illuminated the difficulties in hammering out the final details of the agreement; a basic understanding of the nature and scope of the arrangements between the two governments was missing. The Spanish Government believed that the U.S. Government was making new requests that had no legal basis according to the obligations in the congressional authorisations. If this were case, the Americans should increase the amount of assistance.

The Spanish Government and the general military staffs disapproved of an agreement that would deny them the basic essentials necessary to organise the national defence that would be jeopardised by the military commitments involved in the agreement under negotiation. The dissatisfaction of the military men was considered very seriously because, as Argüelles made clear, the Spanish position depended on the support of the army. The armed services constituted an important support of the Spanish Government and, therefore, there was a major desire to satisfy them with any agreement affecting them.¹²³ The granting of military facilities to the United States would mean a step towards belligerence against the Soviet Union; this could not possibly be undertaken without assurance of continued assistance for several years for economic rehabilitation and military build-up. In case of a Soviet attack on Western Europe, Spain was ideologically committed to the West and might not have been able to remain neutral, as the Americans

¹²³. Franco confessed to his cousin and military adviser that the army was essential for political stability; Francisco Franco Salgado-Araujo: Mis conversaciones privadas con Franco, Barcelona [Planeta] 1976, p. 203.

hammered relentlessly. But, if bases were granted and used for offensive operations, immediate Soviet retaliatory action should be expected against Spain.

The agreement under negotiation should, thus, provide assistance not limited merely to the construction of bases and the training of base personnel, but to provide sufficient equipment to permit the Spanish armed forces to become actively operational. For the Spanish military men, the American aid should equip 22 ground forces divisions necessary for an adequate defence of the country, provide sufficient planes and anti-aircraft material for the protection of the national territory against air attacks, and accomplish the modernisation of certain units for coastal defence.¹²⁴ In sum, according to the Spanish Government, the importance of the military and political commitments to be assumed required, as *quid pro quo*, a basis of equality with other nations with similar arrangements and a commitment for long-term economic assistance, which could justify its entry into detailed agreements affecting sovereignty.

Ambassador Mac Veagh suggested that Washington make explicit a commitment for assisting Spain as long as Spain cooperated in the defence of the West.¹²⁵ According to him, there was no need to give specific amounts of aid, but only to mention that there was no distinction between Spain and other countries collaborating in Western defence. This added nothing to the intentions of the United States. It only made explicit what the Spanish Government sought: to present these negotiations as the initiation a long-term cooperative enterprise rather than the making a deal. In other words, Spain should be presented as "a partner in the defense effort rather than as an untouchable pariah possessed of facilities for sale".¹²⁶

The Department of State refused to modify the American negotiation position. Concerning any long-term commitment, no firm assurance about amounts and types of

¹²⁴. Vigón's statement to Kissner recorded in telegram no. 1372, dated 21 June 1952, summarised in *FRUS*, 1952-1954, VI, part 2, Webb to the Embassy in Spain, Washington, 13 August 1952, p. 1871.

¹²⁵. Mac Veagh's telegrams nos. 46 and 93, 14 and 30 July 1952, quoted in footnotes 4 and 13, *ibid.*, pp. 1865 and 1876, respectively.

¹²⁶. *Ibid.*, Mac Veagh to Acheson, Madrid, 2 August 1952, p. 1870.

United States aid in future years could be given to the Spanish Government (or any other government). American overseas assistance was subject to the limitations imposed by congressional appropriations, NATO priorities, the status of supply, and the exigencies of the Korean and international situation. The Spanish proposal for a deferred base agreement was also rejected. According to the Department of State, the demand for the joint conclusion of all the agreements made by the American negotiators had not contradicted congressional appropriations.¹²⁷ On the contrary, the Congress had left to the discretion of the President the granting of assistance to Spain, under the general policy set forth by the MSA of 1951, enacted on 10 October 1951. According to this bill, the purpose of any future military, economic, and technical assistance granted by the United States to any foreign country was the strengthening of the common defence against Communist aggression.¹²⁸

The reality was that blocking all funds until the conclusion of the base agreement increased the American bargaining power enormously. However, the U.S. military men did not ease the negotiation process, but rather created confusion at home. When General Kissner screened Spanish military estimates to discover how much was really essential to reach a base agreement in terms satisfactory to the United States, he came up with such a high figure that, in order to justify it, he recommended that the JCS consider planning "certain tasks and obligations in Western defense" for Spain, such as the use of a Spanish corps outside the Iberian Peninsula in the event of hostilities.¹²⁹ This was the logical climax of the military approach given to the negotiations with Spain.

¹²⁷. *Ibid.*, "The Acting Secretary of State to the Embassy in Spain", Washington, 13 August 1952, p. 1872; and Mac Veagh to the Department of State, Madrid, 16 August, pp. 1876-77.

¹²⁸. "The Congress declares it to be the purpose of this Act [...] to strengthen the mutual security and individual and collective defenses of the free world." Under the title of Europe, assistance was destined to NAT countries and for any other country in Europe which the President determined to be "of direct importance to the defense of the North Atlantic area and whose increased ability to defend itself [...] is important to the preservation of the peace and security of the North Atlantic area and to the security of the United States." P.L. 82-165, vol. 65, p. 373.

¹²⁹. Kissner's report was forwarded to the Chief of Staff, U.S. Air force, on 20 August 1952. A brief description of the report to be found in *FRUS*, 1952-1954, VI, part 2, James C.H. Bonbright, Deputy Assistant Secretary of State for European Affairs (from June 1950 to April 1954), to Matthews, Washington, 5 September 1952, pp. 1979-81.

The cost of the military items that the Spanish military authorities listed as "indispensable" for the defence of their territory was approximately of \$1,360,610,962 (an enormous amount of money by all means of comparison). One of the American participants in the previously mentioned meeting with Argüelles and Elorza estimated that the Spanish army could be satisfied and a base agreement on the desired terms could be signed with equipment to be delivered at some future date costing approximately \$150 million over a period of three years, or \$50 million annually, in addition to the military component of the \$125 million then already authorised. Kissner's estimated cost of military assistance was about \$440,754,692 phased over a five-year period.¹³⁰ Beyond-the-Pyrennes action provided some additional justification to what appeared an extremely high price to pay for bases only, particularly when General Vigón had indicated that the Spanish troops stationed at the ends of the Pyrenees could be projected north to interdict enemy columns. Whether it was supposed that mission would have been integrated with the thinking of NATO commanders with respect to NATO areas, was not clear. Kissner's recommendations were accepted by the JCS and the Department of Defense.¹³¹

The development of the Spanish armed forces based on their eventual relationship to NATO required a review of the American military requirements in Spain, the availability and allocation of military end-items, and the United States' relations with NATO countries. How could any equipment be immobilised far from what was then perceived as the future front line, when prior commitments to NATO countries for scarce equipment would go unfilled in the following few years? Because NATO strategy involved holding as far to the north and east as possible, it made little sense to provide military end-items and dollars to military forces that would engage in battle only when the continent had been overrun by enemy forces to the Pyrenees, rather than providing them to those forces engaged in the opening days of battle. A military aid programme based on requiring Spain to make military assignments outside its territory constituted an entirely new concept in military aid and a major policy turning-point adopted unilaterally

¹³⁰. *Ibid.*, Memorandum by the Director of the Office of European Regional Affairs, Ben T. Moore, to Bonbright, Washington, 8 September 1952, p. 1883. Moore questioned Bonbright's affirmation that no military assignment outside Spanish territory should be asked.

¹³¹. *Ibid.*, Lovett to Acheson, 8 December 1952, pp. 1902-3.

by U.S. military men.

The Department of State felt that the primary purposes of the military programme in Spain were, exclusively, to assist in the development and protection of the bases and to develop and improve those Spanish military facilities that had a direct impact on the efficiency of the military collaboration programme. Spain was to be regarded exclusively in terms of a logistic support base for the main central European battlefield. Any other interpretation would revoke the assurances repeatedly given to the NATO members before the negotiations began regarding the nature and scope of the military programme contemplated for Spain. This limited interpretation avoided a negative political impact on the United States' relations with the NATO members and made the JCS's price for the acquisition of base rights unnecessarily high. The Department of State's view prevailed.

An expression of friendship and joint purpose in the defence of the West were the responses to the Spanish request for clarification of the continuing nature of U.S. assistance. The support for the Spanish defence efforts was made explicit by the provision of assistance to the Spanish economy and army over a period of several years, subject, as was true for the United States' relations with most countries, to the limitations imposed by congressional appropriations and other international commitments in light of their world-wide security obligations. Congressional appropriations for \$125 million were all that was available during the current fiscal year. However, in the event that mutually satisfactory agreements were concluded, the U.S. Government was ready to include suitable provisions for assistance in the following fiscal years. Although no specific amounts of supplies appeared, the American memorandum stated that there was no distinction between Spain and any other country collaborating in western defence.¹³² Spain welcomed the provisions of equal footing, although they were not enough to break the standstill. The Spanish Government continued to be willing to sign the aid agreements,

¹³². American memorandum dated 6 October 1952 in response to the Spanish position as indicated on the Argüelles' memorandum of 9 July and in Vigón's statement to Kissner on 29 July; *ibid.*, Mac Veagh to Martín Artajo, who had been placed by Franco in personal charge of negotiations, Madrid, 7 October, pp. 1887-92.

but without the base agreement, which the American negotiators rejected.¹³³

The formalisation of the base agreement was to be delayed until the effective granting of aid to Spain. That the remaining obstacle in the bilateral negotiations was the actual amount of assistance was emphasised by the fact that the fundamental question concerning the use of the bases had been overcome already.¹³⁴ Total assistance to Spain in fiscal year 1954 was the test of the American Administration's real intentions to give aid to Spain on an equal basis with other nations, especially when a new administration was due in a few months. No new allocations would signify an overt action against the assurances that the United States' authorities intended to do all they could to render the joint enterprise viable, and would cause grave doubt in Spain, if not suspicion, as to their validity.¹³⁵

Could the divergence between the United States and Spain's positions be bridged by relatively small amounts of additional dollar aid in fiscal year 1954? The Spanish hoped to increase the minimum \$25 million in fiscal year 1953 to a sum equal to \$100 million.¹³⁶ Although several proposals for aid to Spain existed, the Spanish Government was told of no budgetary provisions and received only verbal assurances that the fiscal year 1954 budget took into account aid to Spain. With these vague notions, the Spanish Government was pressed to conclude the base agreement in time to make new requests for additional funds. Consequently, the Spanish proposed an agenda for the construction

¹³³. On 1 November, the Spanish High General Staff and the Minister of Commerce had sent to the respective American missions the texts of the agreements for mutual defence assistance and economic aid. See summary of the discussions between Arburúa and Argüelles with Train, and Vigón with Kissner, on 3 November 1952, in *ibid.*, Mac Veagh to State Department, Madrid, 4 November, pp. 1899-1902.

¹³⁴. "When Kissner asked whether Spanish memo intends to state or imply that in principle we have now been granted base rights in peacetime as well as wartime, he [Vigón] said yes, except for details regarding construction and personnel utilization, the latter to be restricted to an absolute minimum." *Ibid.*, p. 1900.

¹³⁵. "To try to convince the Spaniards that we mean what we say about helping them if they sign our proposed agreements, while at the same time we conspicuously make no advance provision for doing so, may well prove impossible." *Ibid.*, Mac Veagh to the Department of State, Madrid, 30 October 1952, p. 1893.

¹³⁶. Spanish Government's response to the memorandum of 6 October sent to the U.S. Embassy by the Ministry of Foreign Affairs, Madrid, 31 October 1952, *ibid.*, pp. 1898-99.

of bases that paralleled the furnishing of military equipment. Furthermore, in the event of Communist aggression, the "timing and the manner of combat utilization" of the bases was to be subject to "prior consultations" between both governments.¹³⁷ Both provisions, deemed initially unacceptable by the American side, produced the expected effects: the American negotiators were authorised to sign the military aid and economic aid agreements prior to the completion of the base agreement.¹³⁸ An initial explanation could be that the Americans considered it essential to obtain satisfaction from the Spanish Government on their two main requests.

Franco anticipated the advent of a new Republican Administration in January 1953 under President Dwight D. Eisenhower, by announcing that he was ready to permit Spanish volunteers to take part in the war in Korea.¹³⁹ Spain was presented before the United States' public opinion as a more trustworthy ally than the British and the French who were depicted as pursuing policies disruptive of western unity against Communism. This propaganda campaign was addressed particularly to Eisenhower who, after all, was a General of the Army and had been Supreme Allied Commander in Europe between April 1951 and May 1952. The appointment of John Foster Dulles as Secretary of State must have been warmly appreciated by the Spanish Government. Dulles was well known to the Spanish authorities because, after 1938, as a lawyer, he represented before the American courts the interests of the Bank of Spain in Burgos against the legal banking authorities of Spain.¹⁴⁰ Furthermore, he represented a new type of cold war warrior; one

¹³⁷. Draft of the defence pact which the Spanish presented to Kissner on 23 December 1952 and which was intended to serve as a cover agreement to the secret technical schedules; texts quoted in *ibid.*, p. 1904.

¹³⁸. Provided that the "basic minimum essentials of our military requirements" had been met in the provisions of the base agreement; telegram dated 22 December 1952, summarised in *ibid.*, p. 1911, footnote no. 5.

¹³⁹. PRO, FO 371/107685: Ambassador Balfour's despatch no. 452 to FO, Madrid, 23 December 1952.

¹⁴⁰. John Foster Dulles (1888-1959), lawyer and secretary of state in the Eisenhower Administration, January 1953-April 1959. As partner at <<Sullivan & Cromwell>> Dulles was involved in many well-known international cases. Late in 1938, Bank of Spain officials brought suit against the Federal Reserve Bank of New York for inappropriate conduct concerning \$15 million in silver from their resources shipped to the United States by the Republican Government. Dulles lost the case and was accused of undertaking legal work for the fascist Franco regime. For details see Ronald W. Pruessen: John Foster Dulles. The Road to Power, New York [The Free Press] 1982, pp. 122-23.

not satisfied with merely containing the Red threat, but eager to roll back the Communist tide.¹⁴¹

There is no evidence that the Franco Government could get on better with the Republican Administration than with Truman and Acheson, or that Eisenhower was anxious to conclude the lengthy negotiations with Spain on any terms. The Eisenhower Administration pulled the negotiations back to the point of departure of the Truman Administration. For them, even more than for the last period of the Democratic Administration, economic aid and the military bases were tied intrinsically together. The delivery of these funds were subject to the signature of the agreements under negotiation; the Spanish were given neither mention of amounts nor assurances of any definitive intention to provide assistance to strengthen military and economic conditions. In fact, the American negotiation team was instructed not to inform the Spanish of any specific military assistance planned by the United States beyond the \$37 million of fiscal year 1953.¹⁴²

The fact that the Administration was devoted to economic cuts in aid abroad seems to have had little impact on the decision. Congress favoured granting more funds to Spain than the Administration itself was willing to request based on strong congressional feelings about the Spanish question.¹⁴³ In fact, as we shall see, it became routine for the Congress to earmark specifically for Spain, with almost no debate, sums in excess of the Administration's proposals. In its turn, the Administration normally spent in excess of congressional allocations by making use of the funds reserved for the President. The cold shower on the Spanish-American relations might have come from the renewed force of <<Europeanism>>, most particularly, in the Department of State.¹⁴⁴

¹⁴¹. Dulles' statement of 26 January 1953, five days after assuming office, recorded in Deane Heller and David Heller: John Foster Dulles. Soldier for Peace, 1st ed., New York [Holt, Rinehart and Winston] 1960, p. 159.

¹⁴². Ibid., Mac Veagh to the Department of State, Madrid, 24 January 1953, p. 1905.

¹⁴³. Scowcroft, *op. cit.*, pp. 81 ff.

¹⁴⁴. Pascaline Winand: "Jean Monnet, John Foster Dulles, Ike and the Uniting of Europe: Friendships and Associations", in Douglas Brinkley (ed.): Monnet and the Americans (forthcoming); and Presidents, Advisers and the Uniting of Europe; From Eisenhower to Kennedy (forthcoming).

When the Eisenhower Administration assumed office, it decided to commit its own vast prestige in support of the European Defence Community and of "effective unity". Only the non-ratification of the EDC would have made it necessary to give "a little rethinking to America's own foreign policy in respect to Western Europe."¹⁴⁵ Bases on Spanish territory continued to be on the agenda, but there was no rush.

When President Eisenhower did not speed the negotiations, Madrid lost hope for any improvement in the economic conditions. To overcome opposition from the Spanish army about signing an agreement which provided extremely limited assistance for military purposes, Franco authorised Arburúa to mediate with General Vigón and Army Minister Agustín Muñoz Grandes (after July 1951). Franco suggested the transfer of between \$8 to \$12 million of the \$88 million then authorised for economic aid to military assistance.¹⁴⁶ This was a clear indication that the Spanish Government was about to agree to conclude the base agreement if assured of a military equipment programme considerably less than the money value of the items they listed.

Secretary of State Dulles supported a maximum of \$50 million for military aid and recommended new authorisations for \$35 million in military aid. This way, economic aid was reduced to a total value of \$75 million and military aid increased to \$85 million.¹⁴⁷ Dulles' programme not only contained no provisions for economic aid for fiscal year 1954, but reduced the total amount available for economic assistance because \$75 million was considered sufficient to generate enough counterpart for the peseta costs of the base construction programme.¹⁴⁸ Only because Ambassador Mac Veagh considered additional amounts indispensable for negotiating purposes were new appropriations worth \$25 million added for economic aid, which totalled \$100 in fiscal

¹⁴⁵. Both quotations correspond to Dulles' declarations in early February 1953, shortly before leaving on his first official trip to Europe as Secretary of State, taken from Albert Joseph Dorley, Jr.: "The Role of Congress in the Establishment of Bases in Spain", doctoral dissertation, St. John's University, New York, 1969, p. 35.

¹⁴⁶. Ibid.

¹⁴⁷. FRUS, 1952-1954, VI, part 2, Dulles to Mac Veagh, Washington, 17 February 1953, p. 1912.

¹⁴⁸. Ibid., Dulles to Mac Veagh, Washington, 26 February 1953, p. 1915.

year 1954.¹⁴⁹ However, the final draft of the fiscal year 1954 foreign aid budget carried over \$125 million with a new distribution (\$75 million for economic aid and \$50 million for military aid). It also proposed between \$25 to \$50 million as additional appropriations for military aid.¹⁵⁰

The Spanish Government was informed that the United States was willing to make "substantial expenditures of both money and equipment" provided that their use of bases was assured in peacetime as well as wartime.¹⁵¹ The Spanish Government did not find it difficult to conclude a base agreement satisfactory to the United States, provided the American negotiators guaranteed a programme of continuing military and economic aid over a period of several years.¹⁵² Nevertheless, no agreement seemed possible unless the Spanish Government understood that the aid funds for fiscal year 1954 initiated an assistance programme to be completed over a period of several years.

A partial break-through in the negotiations came on 7 August 1953, when President Eisenhower signed the Mutual Security Appropriations Act of 1954 to carry on the Mutual Security Program during the fiscal year ending 30 June 1954.¹⁵³ Under its provisions, the \$125 million previously allocated to Spain for economic, technical, and military assistance appropriated in 1951 and 1952 were specifically reappropriated. New aid received specific appropriations of no less than \$75 million, which were increased to a total amount of \$101 million (\$91 million for military assistance and \$10 for economic aid). The total for the combined economic and military assistance programmes was established at \$226 million for fiscal year 1954. Military assistance to purchase military end-items to provide training equipment and military material (the so-called "military end-item assistance") received the largest share, \$141 million. The economic aid portion was

¹⁴⁹. *Ibid.*, Mac Veagh to Dulles, Madrid, 27 February 1953, p. 1916; and telegram no. 378 of 11 November 1952, p. 1917, footnote no. 4.

¹⁵⁰. *Ibid.*, Dulles to Ambassador Dunn, Washington, 20 April 1953, p. 1923. James Clement Dunn, former ambassador to Italy and to France, was appointed to Spain by President Eisenhower on 27 February 1953. He presented his credentials to Franco on 9 April and resigned in February 1955.

¹⁵¹. *Ibid.*, Eisenhower to Dunn, Washington, 24 March 1953, pp. 1922-23.

¹⁵². *Ibid.*, Memoranda of Conversation with Martín Artajo and Franco by Dunn, Madrid, 8 and 9 April 1953, pp. 1927 and 1931.

¹⁵³. P.L. 83-218, vol. 67, p. 478. This bill was enacted on 7 August 1953.

\$85 million to strengthen the economic foundations for the support of the programme of military cooperation (the so-called "defense support assistance"). This was the only effective economic assistance to finance Spanish imports of raw materials and capital goods.¹⁵⁴

It is commonly believed that the Spanish authorities slowed negotiations with the Americans during 1952 and 1953 in order to concentrate on the new Concordat with the Vatican, which was signed in August 1953.¹⁵⁵ This assumption implies that the Spanish Government had already accepted the terms of the agreement, which was absolutely not the case.¹⁵⁶ Not even the funds approved for Spain in the Mutual Security Appropriations Act of 1954 were sufficient to clear the way for an agreement, since they did not offer to the Spanish Government the long-term commitment it had been seeking since the base negotiations started. Furthermore, none of the funds approved by the Congress had been allotted or obligated to Spain, subject to the conclusion of a satisfactory bilateral agreement granting extensive base rights. On 17 August 1953, Eisenhower told the House of Representatives that the funds allocated to Spain would not be liberalised until the agreement had been signed.¹⁵⁷ In response, a few days later, Franco announced to Eisenhower that "the whole structure of the agreements will not be completed until, at the proper moment, there is added to it the appropriate annex concerning the details of American aid".¹⁵⁸ The detailed stipulations about what the Spanish Government would be required to do contrasted strongly with the unwillingness of the U.S. Government to specify what they would do to assist the Spanish armed forces and economy.

¹⁵⁴. MAE, Leg. 5790, exp. 1: Dunn to Artajo, 24 September 1953. These amounts did not include the construction costs of the bases.

¹⁵⁵. For details about the Concordat issue see Javier Tusell: Franco y los católicos. La política interior española entre 1945 y 1957, Madrid [Alianza] 1984, pp. 227 ff.

¹⁵⁶. I.e., Herbert L. Matthews: The Yoke and the Arrows. A Report on Spain, New York [George Braziller Inc.] 1957, p. 127; Cortada, op. cit., pp. 228-30; Viñas, Los Pactos, cit., p. 180; Juan Pablo Fusi: Franco. A Biography, New York [Harper & Row Publishers] 1987, p. 76; and Stanley G. Payne: The Franco Regime 1936-1975, Madison [The University of Wisconsin Press] 1987, p. 418.

¹⁵⁷. Viñas Los pactos, cit., pp. 180-81.

¹⁵⁸. FRUS, 1952-1954, VI, part 2, Franco to Eisenhower, Madrid, 22 August 1953, p. 1951.

The final break-through in the negotiations is not clear. My hypothesis is that the firm position adopted by the Spanish Government forced the Americans to inform the Spanish of their intentions to provide aid to Spain totalling approximately \$465 million (exclusive of the military bases construction dollar costs) though fiscal years 1954 to 1957 (of which \$226 million were authorised for fiscal year 1954).¹⁵⁹ At that point, Martín Artajo informed Dunn that Franco was willing to leave technical discussions to a later time, provided that the agreements could be signed promptly.¹⁶⁰ In response, Dunn confirmed the total figure of aid previously mentioned and left its distribution between economic and military aid to be mutually agreed upon after the formal signing of the agreements. The total amount for aid was kept secret because the Americans could make no commitments for future aid prior to congressional approval, something which had served as scape clause vis-à-vis the Spaniards for several years. The package of aid of \$465 million was not only an intrinsic part of the Spanish-American deal, but what allowed it to materialise.¹⁶¹

The governments of Spain and the United States concluded and signed on 26 September 1953 three bilateral agreements: the "Mutual Defense Assistance Agreement",

¹⁵⁹. These amounts had been agreed to much earlier, but the Spanish were never informed of them; *ibid.*, "Memorandum by the Planning Board of the NSC to the NSC", Washington, 11 May 1953, p. 1937; and, "Memorandum of Discussion at the 114th Meeting of the NSC, Wednesday, May 13, 1953", p. 1944.

¹⁶⁰. *Ibid.*, Memorandum of conversation with Martín Artajo by Dunn, 31 August 1953, p. 1953.

¹⁶¹. MAE, Leg. 5790, exp. 1: Dunn to Artajo, Madrid, 24 September 1953 (English version in *FRUS*, 1952-1954, VI, part 2, pp. 1957-58). Most researchers think that the \$226 million booked as support to be provided to Spain under the terms of the Mutual Security Act during fiscal year 1954 was the economic aid counterpart to the agreement; i.e., Cortada, *op. cit.*, p. 230; Juan Carlos Pereira: *Introducción al estudio de la política exterior de España (Siglos XIX y XX)*, Madrid [Akal] 1983, p. 189; Manuel Espadas Burgos: *Franquismo y política exterior*, Madrid [Rialp] 1988, p. 197; Fusi, *Franco*, *cit.*, p. 79. Others authors give different figures: Whitaker, *op. cit.*, pp. 47-48, mentioned \$350 million as the ceiling of the American commitment to programme aid to Spain; and Simon Duke: *United States Military Forces and Installations in Europe*, Oxford [Oxford University Press] 1989, pp. 251-72, p. 253, totally misinformed, mentions \$50 million. Viñas et al. (*op. cit.*, p. 767) mention \$226 million as the amount of aid agreed, and, that if the programme of aid reached \$465 million, it was the result of American generosity. The lower the aid figure was put, the more their main thesis that the Franco regime compromised the Spaniards' security for a few beans was reinforced. In *Los pactos*, *cit.*, p. 204, Viñas mentions the secret agreement of \$465 millions, showing no great surprise for contradicting himself. Only Marquina, *op. cit.*, p. 568, has taken the American economic commitment for \$465 million out of the oblivion into which it had fallen.

the "Defense Agreement" and the "Economic Aid Agreement" which altogether came to be known as the Pact of Madrid. The three agreements were of an executive nature, requiring neither U.S. Senate nor Spanish Cortes approval. They remained in force for ten years and were extended for two successive periods of five years. The Mutual Defense Assistance Agreement placed Spain within the Mutual Security Program under the provisions of the Mutual Security Act of 1951 and the Mutual Defense Assistance Act of 1949, which implied that the United States was committed to providing economic, technical and military assistance to Spain. Under the terms of the Defense Agreement, the United States was authorised to develop, build, maintain, and use (jointly with the Spanish Government) certain military facilities in Spain, mainly air and naval bases. This agreement also set forth the conditions governing the military assistance the United States would furnish Spanish armed forces. Finally, the Economic Aid Agreement established the ground rules for economic assistance from the United States.¹⁶²

Franco's Spain has been singled out as a unique case within Western Europe: while the western nations were moving towards a collective approach to defense through NATO, the Spanish Administration went for bilateral arrangements with the United States. By 1953, there were approximately 450 American base sites in Western Europe. Many Western European governments -despite their NATO membership and full participation in the collective defense system- accepted American bases on their territory.¹⁶³ All

¹⁶². Texts of the agreements between the United States and Spain signed in September 1953, are found in United States Treaties and Other International Agreements, vol. 4, Part 2, 1953, pp. 1903-27. The Technical Agreement Annex to the Defense Agreement, the four Technical Schedules and the "Note Pursuant to the Second Paragraph of Article III of the Defense Agreement" remained secret. The latter, which was abrogated in 1970, allowed the Americans to use the military installations in an emergency with no more than prior communication, not consultation, with the Spanish Government; Viñas et al., op. cit., vol. 2, pp. 769-70; Viñas: a) Los pactos, cit., and, b) "Spain, the US and NATO", in Christopher Abel and Nissa Torrents: Spain: Conditional Democracy, London [Croom Helm] 1984, pp. 40-58. For the long-term implications of the question for Spain's security debate see contributions to Joyce Lasky Shub and Raymond Carr (eds.): Spain: Studies in Political Security, New York [Praeger] 1985; Gregory F. Treverton: Spain: Domestic Politics and Security Policy, London [International Institute for Strategic Studies] 1986; and John W. McDonald Jr. and Diane Bendahmane (eds.): U.S. Bases Overseas: Negotiations with Spain, Greece, and the Philippines, Boulder [Westview Press] 1990.

¹⁶³. See James R. Blaker: United States Overseas Basing. An Anatomy of the Dilemma, New York [Praeger] 1990, p. 40 (p. 4 for a definition of "base site" and pp. 10 ff. for a brief description of the origins of the U.S. overseas basing system).

agreements on bases were bilateral. Nor was the fact of being an executive agreement uniquely Spanish since all agreements on military bases in Europe were executive for security measures.¹⁶⁴ An executive agreement was not only comfortable to the receiving country, but it avoided public debate in the United States and allowed the executive to concentrate enormous power in its own hands and to exercise it without political checks and constraints. The additional secret agreement of activation of the bases in an emergency had a parallel with the U.S.-British base agreement of 1952 between Prime Minister Winston S. Churchill and President Truman, "in which the wording is vague and latitude of interpretation ample".¹⁶⁵ Bilateral US-Spain relations were part of the United States' security strategy for the western Mediterranean that was based both on a collective treaty and on bilateral agreements for bases and military aid in the 1950s.¹⁶⁶ That is, Spain was a part of a system and not a system itself.

4.4.3. Defence Support Assistance

The Spanish anticipated several years of major United States assistance, partly because of the special measure of support that Spain enjoyed in the U.S. Congress and partly because the United States had aided other European countries for several years. Initially, however, none of the three agreements specified any amount of aid. A State Department press release on 26 September 1953 announced exclusively the already known amounts of congressional appropriations.¹⁶⁷ The fresh financial efforts by the United States to assist the Spanish economy had been greatly reduced. The American commitment to support the programme of military cooperation was limited to extending an additional \$239 million for economic and military end-item assistance to the amounts

¹⁶⁴. See particularly the Italian 1954 agreement, Sebesta: L'Europa indifesa, cit., 1991, where she further develops the arguments presented in previous articles cited in this chapter.

¹⁶⁵. Duke, op. cit., p. 254, and U.S. Defence Bases in the United Kingdom. A Matter of Joint Decision?, London [MacMillan Press] 1987.

¹⁶⁶. Sebesta: "Politica di sicurezza italiana e innovazioni strategiche nell'Europa degli anni cinquanta", Italia Contemporanea, no. 179, June 1990, pp. 283-306.

¹⁶⁷. The Department of State bulletin, vol. 29, no. 745, 5 October 1953, pp. 435-36.

already appropriated by Congress for fiscal year 1954 under the terms of the Mutual Security Act. The Spanish Government was then informally given to understand that approximately \$350 million were to be allocated for military aid, leaving \$115 million for economic and technical assistance.¹⁶⁸

Paradoxically the first year of American aid to Spain witnessed a deterioration of Spain's economic position. The unusually severe drought in the spring and summer of 1953 had a disastrous effect on the wheat crop and the electric power supply (which imposed power cutoffs throughout the country). Allocations of economic assistance during fiscal year 1954 (see table 4.4) emphasised electrical power production to overcome a critical shortage; to improve rails and roads; to increase output of basic industries such as iron, steel, coal, and cement; and, finally, to expand agricultural productivity and the supply of essential raw materials. The programme tried to encourage the expansion of internal production of basic consumer goods to counter the inflationary impact of American aid.

TABLE 4.4
ALLOCATION OF DEFENCE SUPPORT ASSISTANCE, U.S. FY 1954
(in millions of dollars)

TOTAL CAPITAL INVESTMENT	53.1	TOTAL RAW MATERIALS	31.3
Electricity equipment	12.5	Raw cotton	13.6
Railway equipment	11	Iron and steel scrap	3.6
Agricultural and irrigation machinery and parts	10.5	Copper and aluminium	3.5
Steel industry	8	Special steels	3
Road building equipment	3	Coal and coke	1.5
Munitions factory equipment	2.4	Tinplate	1.2
Coal mining equipment	2	Other	4.9
Cement production equipment	2	TECHNICAL ASSISTANCE*	0.6
Locomotive/lorry factories	1		
Civil Aviation	0.7	OVERALL TOTAL	85

Sources: AGA, C/36955: OEEC, C/WP 11/W(56)2, "Council. Association of Spain in the Work of the Organisation. Economic Structure of Spain", October 1955, p. 27, and C/36622, folder 2: OEEC, C/WP 11/W(56)17, WP no. 11 of the Council, "Association of Spain in the Work of the Organisation. Economic Structure of Spain. Comments of the Spanish Delegation on the document C/WP 11/W(56)2 Annex", Paris, 18 June 1956. The table refers to economic aid, including sums covered by the MSA for 1951-52 and 1952-53 and blocked until the agreements were signed. The United States' aid programme to Spain during fiscal year 1954 amounted to \$226 million, made up of \$85 million for economic aid and \$141 million for military aid. (*) This sum covered the exchange of technicians between the two countries.

¹⁶⁸. Cit. in FRUS, 1952-1954, VI, part 2, "Statement of Policy by the NSC", NSC 5418/1 "U.S. Policy Towards Spain", Washington, 10 June 1954, p. 1981.

That the initial defence support programme contributed to improve Spain's capital stock, dollar position, and imports of dollar goods is unquestionable. Any aid, like a drop in the desert, would have had a positive effect. The important point is, however, that the limited aid could have only a minor effect, because it could not ease industrial bottlenecks to the level necessary to produce a multiplying effect on Spain's over-all level of production. The total amount allotted to imports was minimal compared with Spain's total imports (5 per cent) and the overall needs of the Spanish economy. Emergency expenditures for wheat alone during fiscal year 1954 exceeded, in terms of financial resources, the total amount of American economic aid to Spain for the same period, until June 1954.¹⁶⁹

It was totally unnecessary that raw cotton receive the highest individual allocation, since, in the absence of aid, Spain would have continued procuring dollars to buy the greater part of the cotton either by borrowing or by the exchange of pesetas for dollars in free money markets, or by both methods.¹⁷⁰ Cotton allocations, which amounted to 16 per cent of the total programme, impeded greater imports of other goods payable in dollars (investment goods and other raw materials) with greater difficulties of acquisition than cotton. The high allocation of aid for cotton was intended to reduce textile prices and lower export prices. This, in turn, would have increased foreign sales and foreign exchange earnings, with an overall benefit to Spain's foreign payments position. It is my believe that this allocation hid lobby pressures in Washington. It certainly did not address to the fact that Spain's textile exports (and Europe's, in general) decreased after 1952 as Spanish industry found it more and more difficult to meet foreign competition by low-cost producers. In fact, any other of the items listed would have had more long-term impact than raw cotton by leading to increases in output and production of capital plant. The

¹⁶⁹. Between \$90 to \$100 million against \$85 million. For the calculation of Spain's import wheat programme during fiscal year 1954 see chapter six, pp. 355-57. Even other more modest estimates of Spain's wheat purchases exceeded the total economic U.S. aid for the period. For instance, the U.S. Embassy in Spain estimated that foreign exchange outlays for wheat imports were \$52 million in dollars, \$14 million in other foreign exchange, and \$20 million in pesetas; PRO, FO 371/113033: U.S. Department of State' Office of Intelligence Research, "Spain's probable role in Western Europe", Secret Intelligence Report no. IR-6634, 28 July 1954, p. 69.

¹⁷⁰. This opinion was, at the time, shared by the U.S. Department of State' Office of Intelligence Research; PRO, FO 371/113033: Report no. IR-6634, cit., p. 62.

allocation for cotton did not increase cotton textile exports at all.

Allocations for raw cotton equalled all forms of aid to Spain's transportation system which were likely to pay off better in the long-term. Since the poor conditions of the railways were a major hindrance to Spain's economic development, any improvement in Spain's transportation system would have resulted in an increase in output. The allocation of \$14 million worth of railway and road equipment was very limited to modify even slightly the transport situation in Spain. Plans for railway modernisation involved an investment of approximately \$4,070 million in the works and requirements then declared to be urgent in the state railways broad gauge system. Half this figure was considered by the French military services in Spain to be necessary to place Spain's road network in a state of minimum efficiency.¹⁷¹

The case of electric power-producing equipment was similar. Arburúa pointed out to Harold E. Stassen, the Director of the Foreign Operations Administration after August 1953, that, after considering funds from fiscal year 1954 aid allotted for electric power, plus the maximum amount available out of Spain's free dollar and other currency holdings, its earnings from tourism, plus the credits available through the National City Bank and the Chase National Bank and other sources open to Spain, there were still approximately between \$40 to \$50 million dollar lacking to meet Spain's necessities in the power field.¹⁷² The amounts allocated for coal-mining machinery, coal, and coke, could do little to overcome the bottleneck produced by the lack of essential supplies of proper quality coal and coke. The same could be said about the allocations for the purchase of metals and other raw materials to meet Spain's industrial needs. In sum, the American funds to be invested in electricity, transportation, agricultural development, steel, coal and cement industries, munitions factories, and civil aviation, were too limited to produce any major changes.

¹⁷¹. See chapter seven, p. 520.

¹⁷². FRUS, 1952-1954, VI, part 2, Memorandum of Conversation, by Stassen, Madrid, 12 November 1954, p. 1995. Arburúa was then President of the Interministerial Coordinating Committee -set up in October 1953 under the aegis of the Presidency of the Government- for the distribution of funds available from the Economic Aid Agreement.

Furthermore, the reduced exports expected to result from the loss of a substantial portion of the citrus fruit crop (Spain's most important non-dollar foreign exchange earner) reinforced the Spanish requests for additional aid from the United States. The severe frosts during the 1953-54 winter were expected to result in foreign exchange losses of a minimum of \$30 million (according to the American Embassy in Madrid, and \$60 million, according to the Spanish Government).¹⁷³ These unanticipated factors aggravated the chronic weakness of the Spanish economy, which was marked by a low level of monetary reserves and chronic shortages in almost all categories of industrial raw materials, equipment, and facilities:

"The Spanish Government's earlier hopes that [American] economic aid would provide prerequisites essential to the introduction of some flexibility and resilience in the economy were seriously dashed by the necessity to use a large part of aid (\$30 million in raw materials) not to increasing production but rather to maintaining production rates of last year."¹⁷⁴

The American Embassy in Spain tried to accelerate the granting of the \$239 million balance of total aid of \$465 million. For fiscal year 1955 the Embassy suggested allocating to Spain aid amounting to \$170 million, of which \$140 million were for military assistance and the remaining for economic aid, while allocations for fiscal year 1956 were to remain exclusively for military expenditure. The American Embassy and the Foreign Operations Mission in Spain believed that \$30 million were sufficient "to maintain the friendly cooperation necessary to the construction and operation of the joint military facilities."¹⁷⁵ This way, the Embassy's proposal left for economic assistance only 12.5 per cent of the only existing assistance the Americans had compromised to grant. The foreign aid programme finally established for fiscal year 1955 reduced aid for Spain to \$104 million. It maintained \$30 million as economic aid, of which \$10 million was to be used for the purchase of industrial raw materials and \$20 million for the

¹⁷³. PRO, FO 371/113033: Report no. IR-6634, cit.

¹⁷⁴. FRUS, 1952-1954, VI, part 2, Edward L. Williams, Director of the U.S. Operations Mission in Spain (after October 1953), to the FOA, Madrid, 23 March 1954, p. 1968.

¹⁷⁵. *Ibid.*, Dunn to Dulles, 22 October 1953, and Williams to FOA, 23 March 1954, pp. 1961 and 1969.

purchase of capital goods.¹⁷⁶ Accordingly, Dunn informed Martín Artajo of the reduced amounts of aid available for Spain in fiscal year 1955. The Spanish Government had been previously informed that, in case the United States Congress appropriated in fiscal year 1955 disproportionate amounts, the total amount should not exceed the \$465 million total for the four-year period.¹⁷⁷

That aid figure during fiscal year 1955 was inferior to the amount for fiscal year 1954; the disparity between the suggested aid figure and the aid the Spanish economy required to reach a minimum level of recuperation did not pass unnoticed by the Spanish Government. The Spanish Ministry of Foreign Affairs argued that it was "indispensable to establish the national economic potential on the level corresponding to the defense objectives" in order to be fully effective in the defensive organisation of the West.¹⁷⁸ Moreover, the amounts for economic aid were established before the full effect of the previous year's drought was known and the freeze occurred. For the Spanish Government, the special circumstances required special consideration by the U.S. authorities. By contrast, for the Americans, \$465 million remained the ceiling of aid to which they were committed until fiscal year 1957.

Other programmes of assistance to Spain were for the most part of congressional origin and were not, technically speaking, "defense support assistance". These programmes provided for the disposal of surplus agricultural commodities. An amendment prepared by Senator McCarran to the Mutual Security Appropriations Act of 1955 authorised \$55 million to purchase surplus agricultural commodities with pesetas.¹⁷⁹ The final text of

¹⁷⁶. Ibid., Dulles to Dunn, Washington, 19 March 1954, p. 1966. For the final distribution of the \$30 million for fiscal year 1955 see Dirección General de Cooperación Económica (DGCE): Informe sobre el desarrollo de la ayuda económica, no. 8, Madrid, 1956, pp. 10-11. The DGCE was set up in October 1953 within the Under-Secretary for Foreign Economy for the implementation of the U.S. economic aid programme to Spain.

¹⁷⁷. FRUS, 1952-1954, VI, part 2, Memorandum of Conversation by Robert W. Barnett of the Office of Western European Affairs, Washington, 12 November 1953, p. 1963.

¹⁷⁸. Ibid., Spanish Ministry of Foreign Affairs' verbal note to Dunn, Madrid, 2 April 1954, p. 1971.

¹⁷⁹. P.L. 83-778, signed into law on 3 September 1954, contained as sec. 109 the following clause introduced by McCarran: "\$55,000,000 of the unobligated balances continued available under the Act shall be available only for the procurement and sale, in accordance with provisions of section 402 of the

the so-called McCarran Amendment further stipulated that 80 per cent of the pesetas generated as counterpart funds "be used to strengthen and improve the civilian economy of Spain".¹⁸⁰ The Spanish (and the American Embassy in Madrid) viewed the McCarran funds as an addition to previous allocations in the form of grants.¹⁸¹

The expending of the McCarran Amendment's funds, however, was further proof of the U.S. Government's opposition to or delaying of aid to Spain legislated by the Congress. Once the Spanish Government had already imported commodities under the McCarran provisions, it was informed that an undetermined portion of the credit was to be repaid at an unfavourable exchange rate and that the McCarran funds included the \$30 million earlier sought for economic aid for fiscal year 1955 under the terms of the September 1953 agreements. The Spanish Government was also informed that, in order to repay with pesetas, the McCarran funds granted on a loan basis required the United States' approval for making advances from existing counterpart funds against Spain's local currency needs that were to be repaid from the proceeds of the sales of McCarran's commodities. To have the full availability of the \$30 million granted to Spain during fiscal year 1955 it would be necessary to take a substantial part of the McCarran funds as a loan. Stassen offered an alternative for the implementation of the funds allocated for fiscal year 1955: to programme \$20 million defence support aid for fiscal year 1955 and \$10 million for fiscal year 1956, without further funds for fiscal year 1956. A third alternative was to import as much coal as possible from the United States in consideration for receiving the full \$30 million in fiscal year 1955, with the coal to be financed out of

Mutual Security Act of 1954, of surplus agricultural commodities as assistance to Spain." Vol. 68.I, p. 1224. Furthermore, under the Agricultural Trade Development and Assistance Act of 1954 (commonly known as P.L. 480 of 10 July 1954), Spain was allowed to purchase U.S. agricultural commodities in pesetas. In reality, the proposal was originated in the Senate Committee on Appropriations and Senator McCarran limited to offer an amendment to the committee decision in the sense of granting the aid as part of Section 402 of the Mutual Security Act and not of PL 480, which stressed the military character of the funds.

¹⁸⁰. In reality, the Senate Committee and McCarran had proposed 95 per cent of counterpart pesetas to devote to the Spanish civilian economy.

¹⁸¹. See telegram summarised in FRUS, 1952-1954, VI, part 2, p. 1992, footnote no. 2; and Dunn to the Department of State, Madrid, 13 October 1954, p. 1992.

aid funds or with free dollars.¹⁸² The complexity of these proposals revealed the American unwillingness to make life easy for Spain. Although procurement authorisations for the full amount of the McCarran amendment of \$55 million were promptly issued (\$49 million in cotton and \$6 million in cottonseed oil), the agreement was signed reluctantly by the Spanish in April 1955 because of the conditions of the loan: a ratio of \$20 million loan to \$24 million grant was finally agreed on for the 80 per cent of sales proceeds for the Spanish civilian economy.¹⁸³

There is no reason to conclude that the agreements of September 1953 provided any immediate and significant relief to the Spanish economy. Including the fiscal year 1955 funds appropriated by the Congress, the total amount of defence support assistance programmed for Spain amounted to \$115 million. The initial commitment for economic assistance, announced when the agreements were signed, had been reached. However, only \$24.7 were disbursed, and \$10 million more in procurement authorisations were issued through 1 April 1955.¹⁸⁴ A study totally biased in favour of the importance of American aid to the Spanish economy reported that, by the end of February 1955, while the procurement authorisations amounted to \$113.3 million, arrivals of commodities and services financed with assistance furnished by the Government of the United States to the Government of Spain amounted to \$31.5 million.¹⁸⁵ It should also be pointed out that 70 per cent of the counterpart of these funds was returned to the U.S. Government for its peseta expenses in Spain.

The counterpart pesetas fund financed essentially the peseta cost of the military facilities construction programme through fiscal year 1957. The agreements specified that 10 per cent of the deposits of counterpart funds should remain at the disposal of the

¹⁸². *FRUS*, 1952-1954, VI, part 2, "Memorandum of Conversations [with Arburúa] on 28 and 29 October", by Stassen, Madrid, 12 November 1954, p. 1995.

¹⁸³. *FRUS*, 1955-1957, XXVII, "Progress Report on NSC 5418/1 United States Policy Toward Spain", by the Operations Coordinating Board, Washington, 27 April 1955, pp. 533-37. The period of report was from 9 June 1954 through 27 April 1955.

¹⁸⁴. *Ibid.*

¹⁸⁵. U.S. Operations Mission to Spain: "Activity to date under procurement authorisations issued February 28, 1955", reproduced in Silva (ed.), *op. cit.*, vol. 1, p. 427-28.

Government of the United States to cover administrative expenses, and an additional 60 per cent was to be available for the local expenses of the construction and maintenance of military bases. Only 30 per cent of counterpart funds generated by economic aid was reserved for domestic economic purposes as aid to Spain itself. This percentage was raised to 90 per cent only after 1958. Furthermore, the counterpart funds reserved for domestic economic programmes were subject to a previous mutual agreement, which was granted mostly to "defense support projects" in fields such as transportation, munitions, and military material production. All receipts in pesetas for sales of raw cotton to Spain (amounting to \$13.6 million) were to be used also to finance the construction of military bases. For wheat sales, when the Spanish agreed to purchase up to \$20 million of surplus United States wheat and other grains (in addition to fiscal year 1954 economic aid), they agreed that the entire peseta proceeds were to finance the construction of the bases and the possible telecommunications system supporting the bases. This could be imposed upon the Spanish negotiators because of the pressing wheat shortage.¹⁸⁶ A substantial proportion of the McCarran Amendment and P.L. 480 programmes arrived on a loan rather than on a grant basis.¹⁸⁷ The Spanish complaints came from the feeling that they were not treated like the rest of former ERP countries. In fact, under the Marshall Plan, 90 per cent of the counterpart funds were reserved by the aid-receiving governments for the economic development of their countries. The United States' policy toward other European countries had been to grant relative freedom in the application of counterpart funds to the rehabilitation of various aspects of their national economic plans.¹⁸⁸

The specific definition of counterpart funds in the Spanish case was based on several factors. Early indications from the Spanish Government in order to conclude a military agreement convinced the Americans that the Spaniards would be reluctant to

¹⁸⁶. See chapter seven, pp. 556-57.

¹⁸⁷. The counterpart pesetas produced by the purchase of American surplus agricultural commodities were initially distributed in an equal proportion between Spain and the United States (during 1955). They were modified progressively until they reached a 30/70 ratio in favour of Spain (during 1956/57), but modified again, the following year, to a 55/45 ratio in favour of the United States peseta expenditure in Spain; see Gabriel Fernández de Valderrama: "España-USA, 1953-1964", Economía Financiera Española, no. 6, 1964; and Viñas et al., op. cit., p. 779.

¹⁸⁸. See chapter three, pp. 248 ff.

insist on financial arrangements that would prejudice the successful conclusion of the negotiations. Another important factor was the lack of adequate funds from the Department of Defense to meet the initial estimated peseta costs of the military construction programme planned for fiscal year 1953 (\$78 million peseta equivalent). The amount of disposable counterpart funds was insufficient to cover completely the peseta cost element of the construction programme. Nevertheless, it was enough to cover a major part of these costs and, thus, contribute greatly to the United States' military objectives. This was the main reason some amounts were allocated as economic aid, instead of all as military assistance. Without the counterpart funds generated by the economic aid, the Department of Defense would have had to obtain larger appropriations than those then contemplated for the bases construction to purchase Spanish currency to pay local costs. Any reduction in commodity imports (the economic aid programme) would have correspondingly reduced the amount of counterpart pesetas necessary for the bases construction. This would have to be made up by additional direct military expenditures by the United States.¹⁸⁹ It should not be forgotten also that the weak negotiation position of the Spanish Government meant that any major change in the negotiation tactics, such as the use of counterpart funds for general economic rehabilitation, would have meant a delay *sine die* the agreement, and this was undesirable for the Spanish Government.

Finally, Spain was not extended a ERP treatment for the same reason that it had succeeded in opening the negotiations for military bases: the ERP goals and methods had disappeared from American minds. The aid programme for Spain had been subjugated, like military assistance elsewhere in Western Europe, to the conditions set forth by the Mutual Security Program, no longer the ERP. The use of counterpart pesetas for the benefit of European civilian economies was an integral part of the ERP; the MSA of October 1951 related economic assistance specifically to the defence effort. The objective of the MSA programme was to make maximum use of counterpart funds to support the defence capacity of aid-receiving countries.

¹⁸⁹. In April 1953, when Dulles proposed to reappropriate for fiscal year 1954 only the military aid portion of the previous allocations carried over from fiscal year 1953, Dunn countered with this same argument; see FRUS, 1952-1954, VI, part 2, pp. 1933-34.

Spanish officials frequently referred to the nature and amounts of previous aid to Europe and the comparative restricted use of counterpart pesetas to argue against the American obsession with attaining strict military objectives, rather than supporting military objectives by building up the Spanish economy and domestic defence. For the United States' authorities "the economic phase, [was] part of, but incident to the military package and not a program of economic development in the normal sense."¹⁹⁰ The Spaniards proposed to increase the appropriation for economic aid and to use the counterpart funds generated for direct support of the economy, rather than for bases construction. American officials in Spain believed that the relaxation of the then counterpart provisions was a convenient way to ease the expected adverse Spanish reaction and to help the recovery of their economy. An increased level of economic aid could also be essential to push the Spanish Government towards economic liberalisation. Ambassador Dunn believed that

"such a program might strengthen the hand within the Spanish Government of the supporters of the liberalization of economic policies which, over the long run, is the best avenue to increase foreign private investment and trade so vitally necessary here. Unless this element is encouraged, it is possible that the forces which desire more government control may emerge even stronger."¹⁹¹

In April 1954, the Spanish Minister of Commerce announced to the Americans that the Spanish Government's intention to liberalise import trade was not feasible while Spain maintained a structural balance of payments deficit, which could only be controlled by exercising direct licensing controls. Reductions were necessary in Spanish imports from France, Germany, and other countries to which oranges were Spain's main export commodity. Increased wheat imports and decreased exchange earnings, caused by severe frosts during the 1953-54 winter, had more than offset the availability of American economic assistance and greatly limited Spain's ability to proceed with its development programmes. Unfavourable crop conditions aggravated inflationary dangers, which further limited Spain's ability to finance internal expenditures by credit expansion. Therefore, Minister of Commerce Arburúa hoped that the United States would increase aid for

¹⁹⁰. Ibid., "Memorandum by the Assistant Regional Director of the Office of European Operations of the FOA to the Deputy Director for Operations of the FOA", Washington, 13 November 1953, pp. 591-93, p. 592.

¹⁹¹. Ibid., Dunn to the Department of State, 9 April 1954, p. 1972.

general economic stabilisation and liberalisation, make available additional counterpart funds for general economic development purposes, and finance the support transportation and defence production facilities from military aid rather than from economic aid funds.¹⁹²

The Americans rejected the Spanish proposals, and limited themselves to the possibility of speaking to third countries concerning the granting of easier terms for the recipients of their credit.¹⁹³ The possibility of private credits or direct Eximbank credits to Spain was mentioned also in compensation, which, in turn, Arburúa disliked. Spain's foreign exchange commitments at short term (between three to six months credits) amounted already to \$100-\$120 million, and its longer term commitments (from six months to three or four years) to approximately \$130-\$150 million. The NSC recognised that the programme of aid could make no substantial progress toward remedying Spain's basic economic weakness. President Eisenhower recognised that in Spain, the defence programme could be successful only with a further strengthening of its economic base.¹⁹⁴ Further unsuccessful attempts to compensate what the Spanish authorities perceived as an economically non-beneficial bilateral agreement continued during 1956.¹⁹⁵ This was not surprising!

The remedy of Spain's basic economic weaknesses was neither the United States' main objective nor part of their planned course of action. The economic aid, military aid, and base development programmes were implemented to best support the United States' military objectives in Spain, "insofar as practicable, avoiding adversely affecting Spain's economy."¹⁹⁶ There was no mention of contributing towards Spain's economic recovery

¹⁹². Ibid., Record of meeting between Arburúa and certain United States representatives, Washington, April 1954, pp. 1974-75; and "Memorandum of Conversation" by Stassen, Washington, 20 April 1954, pp. 1976-77.

¹⁹³. FRUS, 1952-1954, VI, part 2, Records of meetings between Arburúa and United States representatives, Washington, April 1954, pp. 1974-77.

¹⁹⁴. "Special message on the Mutual Security Program, April 20, 1955", in Public Papers of the United States Presidents, Dwight D. Eisenhower, 1955, Washington D.C. [U.S. Government Printing Office] 1959, p. 76.

¹⁹⁵. See chapter seven, pp. 612 ff.

¹⁹⁶. FRUS, 1952-1954, VI, part 1, "Statement of Policy by the NSC", NSC 5418/1 "U.S. Policy Towards Spain", Washington, 10 June 1954, p. 1982.

and development. The U.S. Government's economic objectives were limited to grant Spain that minimum amount of additional economic aid "necessary to insure internal stability in Spain so that the use of our bases there would not be jeopardized by civil disorders".¹⁹⁷ By April 1955, it was agreed that only "if" the general economic conditions in Spain threatened the accomplishment of their objectives, would it be necessary to take "remedial steps such as urging appropriate adjustments in Spanish Government programs and policies, possibly revising the uses and amounts of U.S. assistance."¹⁹⁸ For fiscal year 1956, the American Administration requested a \$28 million defence support programme for Spain, and the Congress authorised to reserve at least \$50 million on a grant basis for exclusive application to the Spanish programme.¹⁹⁹ The severe frosts in February 1956, which had damaged Spain's principal foreign exchange earnings crop, led the executive branch to increase the aid programme to Spain by \$10 million from funds at the disposal of the President.²⁰⁰

After February 1956, at least, the NSC considered the continuance of economic aid to Spain, Turkey, and Yugoslavia, desirable "to assist them in achieving stability and growth while maintaining necessary military forces."²⁰¹ With such a broad goal in mind, the Administration requested \$45 million in defence support aid, the Congress authorised \$48 million, and the executive spent \$59 million. Deputy Assistant Secretary of State, C. Burke Elbrick, explained to the Foreign Relations Committee that economic aid to Spain

¹⁹⁷. FRUS, 1955-1957, XXVII, Memorandum of Discussion at the 248th meeting of the NSC, Washington, 12 May 1955.

¹⁹⁸. Ibid., "Progress Report on NSC 5418/1 United States Policy Toward Spain", report prepared by the Operations Coordinating Board, Washington, 27 April 1955. Period of Report 9 June 1954 through 27 April 1955.

¹⁹⁹. The specific mention of Spain aroused the ire of the President; "Approval of Appropriation Act for Mutual Security Program. Statement by the President", 2 August, The Department of State bulletin, vol. 33, no. 844, 29 August 1955, pp. 362-63. The earmarking of specific sums for specific countries handicapped the bargaining power of the Administration, apart from having a injurious effect on other countries scheduled to receive lesser amounts, which then wished to be treated in similar fashion.

²⁰⁰. Congress and the Nation, op., p. 175; and Report to Congress on the Mutual Security Program for the Six Months Ended June 30, 1956, Washington D.C. [U.S. Government Printing Office] 1956, pp. 28-29.

²⁰¹. FRUS, 1955-1957, XXVII, "Memorandum of Discussion at the 27th meeting of the NSC", 27 February 1956, pp. 201-18, p. 214. See also NSC Report 5602/1, "Basic National Security Policy. Note by the Executive Secretary to the NSC", ibid., 15 March 1956, pp. 244-68, p. 250.

was designed only to make viable the construction and operation of the U.S. bases.²⁰² Economic aid was not designed to develop the Spanish economy, but simply to maintain an economic environment within which the bases could be properly operated.

For the Spanish economic authorities, the idea of requesting aid from the United States Government for liberalisation purposes fitted perfectly the logic of the bilateral USA-Spain bilateral relations and of the Pact itself. The original Spanish proposal consisted in exchanging the use of military facilities for economic assistance, which was to be subordinated to the implementation of a *reasonable* programme of economic liberalisation (independently from political changes), for the general rehabilitation of the Spanish economy.²⁰³ When the opening of the bilateral negotiations was announced, some in London thought that the United States would force the Spanish Government to undertake modifications of its current political and economic practices, which were the target of American ire. The liberalisation of the regime was considered to be the only *quid pro quo* to economic aid and military assistance by the United States.²⁰⁴

During the course of the bilateral negotiations for the establishment of bases in Spain, the Americans had suggested that Spain join the main international organisations in Western Europe.²⁰⁵ In May 1953, Ambassador Dunn told the House Foreign Affairs Committee in executive session that this bilateral arrangement with Spain "may be the opening phase of getting Spain back into international cooperation and is certainly our purpose."²⁰⁶ Under the terms of the Economic Aid Agreement, the Spanish Government was asked to stabilise its currency, establish a realistic rate of exchange, balance the

²⁰². United States Congress, Senate, Committee on Foreign Relations, Mutual Security Act of 1956. Hearings, 84th Cong., 2d Sess., 1956, pp. 926-28.

²⁰³. See the opening citation in this chapter.

²⁰⁴. PRO, FO 371/96195: R.M. Saner to R.P. Heppel, 1st Secretary of the British Embassy in Madrid after January, 28 May 1951.

²⁰⁵. PRO, FO 371/106047: Note of an interview with Argüelles, by Sir Hugh Ellis-Rees, British Permanent Delegate to and Chairman of the OEEC, Paris, 11 September 1953.

²⁰⁶. United States Congress, House, Committee on Foreign Affairs, European Problems: Selected Executive Session Hearing of the Committee, 1951-1956, Washington D.C. [U.S. Government Printing Office] 1980, vol. XV, p. 376.

budget, stimulate competition in the domestic economy, and encourage international trade.²⁰⁷

The amount of aid granted under the bilateral agreement, however, did not permit the implementation of such a programme, and the negotiations after the Pacts of Madrid showed the American unwillingness to provide any substantial aid to support any Spanish move towards trade liberalisation or payments multilateralisation. Unfortunately, the military considerations put forward by the United States Government modified substantially the terms and nature of the U.S.-Spain bilateral debate. Economic assistance was allocated exclusively for military purposes, and pressure for economic and/or political liberalisation, which represented a potential danger for achieving the U.S. military goals, was put aside.

For the Spanish, any stabilisation and liberalisation programme should be accompanied by substantial financial assistance. For instance, when in the autumn of 1954, the idea of joining the Organisation for European Economic Cooperation (OEEC) and the European Payments Union (EPU) was debated with passion within the Spanish Administration, a key element for many of the Spanish officials involved was the role to be played by the United States. American financial assistance to support those Spanish officials arguing in favour of closer Spanish association with those economic bodies on a European scale was naturally expected for several reasons. First, because the United States Government had helped other Western European countries to move along the road to multilateral free trade. Secondly, because Spain's OEEC/EPU membership - independently of the final terms established- meant a strong revision of its economic practices, those same practices that the United States' authorities had bitterly criticised since 1945. Finally, because OEEC/EPU membership represented the best move that the Spanish Government could have possibly attempted to fulfil the general undertakings assumed in the Economic Aid Agreement signed with the United States a few months

²⁰⁷. Article 2.1. b, e, g, and e of the Economic Aid Agreement; United States Treaties, cit., pp. 1908-9.

earlier.²⁰⁸ Notwithstanding these three reasons, American financial assistance was never provided to support the efforts of those within the Spanish Government and Administration who were working for a closer association of Spain with those organisations that the Americans, paradoxically, considered moving towards a world-wide non-discriminatory trade system!

It was not until the end of 1957 that the idea of helping the Spanish authorities to liberalise the economy appeared in the United States' policy toward Spain:

"We will continue to keep Spanish economic and political developments under close scrutiny to evaluate realistic minimum aid programs for Spain, and seek to obtain positive action by the Spanish Government towards stabilizing the economy."²⁰⁹

The immediate reason might have been that the economic turbulence, which was forecast if the necessary measures were not adopted, would have rendered utilisation of the bases difficult if not impossible.

American support for the set of initiatives announced in July 1959, which came to be known as the Spanish Stabilisation Plan, proves that, even at the end of the 1950s, the American commitment to back economic liberalisation and stabilisation in Spain signified a weak *additional* effort (see table 4.5). Total international assistance granted to back the stabilisation measures was inserted into a single aid package amounting to \$543 million. American financial assistance was significant, but it implied no specific commitment beyond the strict terms of the 1953 bilateral agreements with the Spanish Government, except the amounts offered as counterpart funds. The U.S. Government had raised the percentage for domestic economic purposes to 90 per cent instead of the previous 30 per cent, allowing the Spanish Government to dispose of the corresponding \$123 million mentioned in table 4.5. This was the result of almost six years of Spanish efforts to redress the terms of the original agreement and not due to the desire of the

²⁰⁸. MAE, Leg. 10078, exp. 21: Report entitled "Posibilidad de ingreso de España en la Unión Europea de Pagos" for Argüelles, Madrid, 11 October 1954.

²⁰⁹. *Ibid.*, "Progress Report on Spain (NSC 5710/1, Approved by the President, May 14, 1957)", report prepared by the Operations Coordinating Board, covering the period from 27 March 1957 through 8 October 1957, Washington, 3 October 1957, p. 586.

United States to provide more funds for general stabilisation. Proof that there was little of this attitude on the other side of the Atlantic comes from the very reduced amount (\$40 million) granted as defence support assistance -less than the economic assistance offered in 1952 after the approval of the Mutual Security Act of 1952.

TABLE 4.5
FOREIGN SUPPORT FOR THE SPANISH STABILISATION PROGRAMME
(in millions of dollars)

IMF drawings	75
OEEC credits	100
Funding of indebtedness owed to OEEC member countries	45
Credits from U.S. Commercial banks*	70
Eximbank loans	30
P.L. 480	60
Grants under Defense Support Program	40
Counterpart Funds	123.3
TOTAL	543

Source: Joan Sardá Dexeus: "El Banco de España (1931-1962)", in El Banco de España. Una historia económica, Madrid [Ferreira] 1970, pp. 421-79, p. 473; and the Department of State bulletin, vol. XLI, no. 1050, 10 August 1959, pp. 210-11. (*) Chase Manhattan Bank and the First National City Bank.

Beyond the terms of the 1953 bilateral agreements, \$60 million were available for the purchase of surplus agricultural commodities through P.L. 480, and the Eximbank offered \$30 million as loans. The Eximbank had been only a little more generous than in 1952 and 1953 when it had offered two short-term loans for a total amount of \$24 million for the purchase of raw cotton. The argument, used in the early 1950s, that Spain was a country offering poor attraction to investment, could no longer explain why the Eximbank acted more miserly than U.S. commercial banks. The explanation might one day come from the little interest paid by the State Department to the measures announced by the Spanish Government. P.L. 480 funds supported economic stabilisation in the sense that they saved the expenditure of dollars and other foreign currencies concerning agricultural imports, but, on the other side, they forced the purchase of U.S. surplus agricultural products when harvests in 1958 and 1959 were abundant in all crops and allowed the

highest wheat export figures from 1940 to 1964!²¹⁰ One might have expected the Americans to transfer these funds to priority fields.

The International Monetary Fund, to which Spain had been admitted in July 1958, offered drawing rights for a total amount of \$75 million. The European Monetary Fund, which was created by the European Monetary Agreement of 1955, but was brought into operation at the end of the life of the EPU, granted a credit of \$75 million (available between August 1959 to February 1961), plus additional \$25 million available until February 1962. To extend abundant credit from the resources of the European Fund was the second decision adopted by the OEEC concerning Spain; the first had been to announce Spain's full membership after January 1, 1960. The difference between the European and the American commitment to back Spanish stabilisation is that the Spanish loan was the largest amount granted since the inauguration of the European fund. While the IMF stabilisation loans represented 3.75 per cent of loans granted world-widely at the time by the IME (\$2,000 million), the Spanish OEEC loans represented 50.4 per cent of those granted by the European Monetary Fund.²¹¹ In other words, specific and great attention was paid by the OEEC countries and their financial instruments to the economic stabilisation in Spain, while the United States maintained a <<cordial>> policy. The financial support offered by the United States Government was extremely low when one considers that the economic reforms which the Spanish authorities were about to undertake had been urged for years by United States officials!

During the congressional debate for the Mutual Security Program in 1959, a great deal of attention was devoted to the Spanish question. The problems addressed were continued utilisation of the bases and satisfactory operation of the base agreement. Aid to Spain was justified as a commercial transaction, as a *quid pro quo* for continued use

²¹⁰. Carlos Barciela: "El sector agrario desde 1936", in Estadísticas históricas, op. cit., pp. 131-67, table 4.13, p. 150.

²¹¹. Between 1956 and 1962 the European Monetary Fund granted \$100 million to Spain, \$71 million to Turkey, \$15 million to Greece, and \$12 million to Iceland; Graham L. Rees: Britain and the Postwar European Payments Systems, Cardiff [University of Wales Press] 1963. p. 264.

of military facilities.²¹² The specific difficulties of the Spanish economy were ignored at the congressional hearings. It was not by chance that the so-called Stabilisation Plan was presented by the Spanish Government to the IMF and the OEEC for their approval and financial support.²¹³

By the time Spain acceded to American economic assistance, the politics of productivity were historical memory. Industrial modernisation and stabilisation were substituted by strategic requirements. The American pressure for economic liberalisation was more a gesture to international public opinion than a policy commitment. During the bilateral negotiation process, pressure to modify the Spanish economic practices (i.e., multiple exchange rates, trade controls, and legislation on foreign investment limitations) was disregarded completely. This might have been due to the Americans' previous lack of success in imposing their views on these matters on other European countries. The well-known article X of the draft agreement presented to the European governments at the time of the Marshall Plan referred to a discussion at the International Monetary Fund in which specific exchange rate measures were to be adopted by the European countries whenever the United States so desired. After two months of negotiations with the United Kingdom, France, Denmark, and Sweden, on behalf of the OEEC, the clause in the draft agreement relating to exchange rates was supplanted by a statement that receiving countries would try to stabilise their currencies, maintain realistic rates of exchange, balance their budgets, oppose monopolies, attack bilateral trade agreements, and government import controls.²¹⁴

As a mere administrative formality, this clause was transferred to the text of the agreement with Spain. If the American negotiators refrained from details of this nature, it was mainly because their energy was destined to Spain's granting authorisation to

²¹². U.S. Congress, Committee on Appropriations: Mutual Security Appropriations for 1960 (and Related Agencies). Hearings before the Subcommittee on Foreign Operations Appropriations, 86th Cong., 1st Sess., 1959.

²¹³. Secretaría General Técnica de la Presidencia del Gobierno: Memorandum que el Gobierno español dirige al F.M.I. y a la O.E.C.E., 30 de Junio de 1959, Madrid, 1965, reproduced in Viñas et al., op. cit., 2nd vol., pp. 1431-42.

²¹⁴. Brown and Opie, op. cit., p. 158.

construct and use military bases. United States' aid was a *quid pro quo* for military facilities and not a means of stabilisation. Military considerations, which predominated over the negotiation process, emphasised the regime's stability and continuity and not its modification. In sum, the complete subordination of official American aid programmes to military interests avoided any action directed at the progressive transformation of the political regime ruling Spain. More than ever, the Franco regime's complete stability and immobility were useful for the United States' military strategy in Western Europe.

Even today, "folk wisdom" still assigns an extraordinary importance to the American aid for the survival of the Franco regime. The future importance of American aid in easing commodity bottlenecks and industrial investment is irrelevant for the argument of this chapter. What matters to the argument of this research is that American economic assistance came too late, in too small quantities, and under too unfavourable terms to have provided for the salvation of the regime before 1955. Some researchers have presented the American aid as enabling "Spain to overcome the many bottlenecks in production resulting from the pursuit of autarky", and as helping Spain "to sustain the industrial boom of the fifties".²¹⁵ This chapter has shown that this was not the case, at least, during the first half of the decade.

Economic assistance from the United States was the only foreign aid the Spanish economy received between 1950 and 1955. The total economic aid effectively delivered to Spain (as defence support assistance) until 16 May 1956 amounted to between \$122.6 million, according to Spanish officials, and \$154 according to official American sources.²¹⁶ Table 4.1 indicates that the effective economic aid to the Spanish economy on the basis of the agreements consisted of \$127.1 millions during 1954 and 1955: \$24.4 under the concept of Defense Support Program, in 1954, and \$31.3 million in 1955, plus

²¹⁵. Quotations are from Joseph Harrison: An Economic History of Modern Spain, Manchester [Manchester University Press] 1978, p. 154, and Stephen Clissold: Spain, London [Thames and Hudson] 1969, p. 131, respectively.

²¹⁶. AGA, C/36622, folder 2: OEEC, C/WP 11/W(56)17, WP no. 11 of the Council, "Association of Spain in the Work of the Organisation. Economic Structure of Spain. Comments of the Spanish Delegation on the document C/WP 11/W(56)2 Annex", Paris, 18 June 1956; and AD, DE-CE 1945-1960, vol. 371: OEEC C(56)201, "Conseil. Association de l'Espagne aux travaux de l'Organisation. Rapport du Groupe de Travail Spécial du Conseil", Annex A, "La situation économique de l'Espagne", Paris, 26 July 1956, p. 35.

\$55 million from the McCarran amendment and \$16.4 million as Public Law no. 480 for agricultural surpluses. Despite the discrepancy in totals, economic aid *effectively* delivered to Spain by the above date was much lower than the total amount of *authorised* aid, i.e., \$230 million (although, eventually, all aid authorised and obligated was delivered even if many years later).

The Spanish Government expressed "keen disappointment concerning the terms of the United States aid to Spain."²¹⁷ Before 1955, American aid provided very little of the equipment necessary for Spanish economic development, and it did not ease the strain placed on the country's foreign exchange resources by import needs under the development programmes. In November 1955, on the occasion of the first official visit of Secretary of State Dulles to Spain, Franco raised the question of economic aid, showing his and his Government's dissatisfaction with the aid programme.²¹⁸ According to Martín Artajo, 44 per cent of the economic aid authorised by the Congress of the United States after the signature of the Madrid Pact in September 1953 had been assigned to purchase agricultural surpluses. The percentage would increase to 63.5 per cent when P.L. 480 funds were added. This was a proportion which appeared "excessive by any yardstick".²¹⁹ The Spanish Government requested continuously a much larger supply of raw materials and consumer and capital goods.²²⁰

The amount of aid was considered totally insufficient "to satisfy the Spanish needs after years of difficulties."²²¹ On 16 May 1955, Franco declared to the Cortes that the

²¹⁷. FRUS, 1952-1954, VI, part 2, "Memorandum of Conversation" with José María de Areilza Ambassador in Washington after 6 November 1954, by the Officer in Charge of French-Iberian Affairs, Washington, 18 November 1954, p. 2000.

²¹⁸. FRUS, 1957-1959, XXVII, Memoranda of Conversation with General Franco, Madrid, 5 November 1955, p. 552. Secretary Dulles visited Madrid from the Geneva Conference of Foreign Ministers in Paris.

²¹⁹. MAE, Leg. 7741, exp. 3: Artajo to U.S. Ambassador John Lodge (March 1955-April 1961), Madrid, 21 June 1956 (English version in FRUS, 1955-1957, XXVII, p. 575).

²²⁰. I.e., ibid., Memorandum of conversation between the Secretary of State and the Ambassador to Spain and the Spanish Minister of Foreign Affairs and Ambassador to the United States, with their respective teams, Department of State, Washington, 10 April 1956, p. 566.

²²¹. Minister of Commerce Arburúa: Cinco años al frente del Ministerio de Comercio (Discursos y Declaraciones: 1951-1956), Madrid, 1956, p. 198.

effect of U.S. aid on the Spanish economy was not yet visible.²²² In October 1956, the French Ambassador in Madrid stated that, three years after the signing of the bilateral agreements, none of the original plans had been finished.²²³ This was in significant contrast to what Franco, in submitting the agreement to the Cortes for approval, called "a mile-stone in contemporary Spanish foreign policy."²²⁴ If one could suggest that American military intervention in Europe when Marshall Aid was running out had saved European resources which could then be used for economic recovery and that American military intervention had facilitated capital investment in Western Europe, this was certainly not the case in Spain between 1950 and 1955.

After 1947, the Spanish Government continuously requested approximately \$1,300 million (in addition to normal imports) in the form of a short-term import programme for the modernisation and stabilisation of the Spanish economy.²²⁵ More modestly, the British Embassy in Madrid reported in March 1950 that "to bring Spain to an economic level consonant with a partnership position with the Western nations" would require the expenditure of about \$1,000 million in assistance from abroad.²²⁶ The Banco Urquijo put the special imports required over the period from 1950 to 1955 to place the Spanish economy "on a sound footing" at nearly \$500 million, divided into roughly \$300 million for machinery and industrial equipment, \$90 million for raw materials, and something over \$100 million for other manufactured goods and agricultural equipment.²²⁷ The Banco Urquijo's import programme was not expected to bring about the major development of the Spanish economy, but rather to entail an annual increase in imports of 25 to 30 per cent above the 1949 level. On average, American economic assistance (including private U.S. banks loans) represented approximately \$49 million per year

²²². J. Lee Shneidman: Spain and Franco, 1949-1959. Quest for International Acceptance, New York [Facts on File] 1973, p. 124.

²²³. AD, DE-CE 1945-1960, vol. 371: Georges de la Tournelle to Christian Pineau, Minister of Foreign Affairs February 1956 to May 1958, "A.S. du troisième anniversaire de la signature des accords hispano-américains", Madrid, 3 October 1956.

²²⁴. PRO, FO 371/113033: Report IR-6634, cit.

²²⁵. See chapter three, section three, and *infra* pp. 269-70.

²²⁶. Estimate given in PRO, FO 371/96195: "Possible entry of Spain into OEEC", 10 March 1951.

²²⁷. Ibid.

between 1950 and 1955 (accounted for primarily by expenditures for foodstuffs and cotton imports from the United States). This amount was far from the most modest estimates of Spanish import requirements in assistance from abroad. On a year-basis, only in 1955 did the Spanish economy receive the annual amount of assistance that the Banco Urquijo had demanded half a decade earlier.

4.5. Conclusions

The physical resources for the import programmes needed to place the Spanish economy on a "sound footing" were no longer available from the United States. The total economic assistance from the United States to Spain between 1950 and 1955 was a mere drop in the ocean of Spain's needs. Most of the weaknesses of the Spanish economy were structural, impossible to overcome in the short run. The vulnerability of the Spanish economy to drought; the low productivity of agriculture and industry due to lack of resources, investment, replacement of obsolete plant and equipment; the uneven development of interdependent economic sectors causing major bottlenecks that prevented the full and stable utilisation of existing productive capacity; and the weakness of the foreign trade position extremely dependent on agricultural exports which, in turn, depended on weather and foreign markets conditions beyond the control of the Spanish authorities required more than a few years of limited American aid!

The defence support programme for Spain certainly did not make Spain economically dependent upon the United States. This might have occurred with the implementation of an extensive economic assistance programme over several years. However, the large-scale development of the Spanish economy was not necessary for the United States to gain its strategic objectives. An immediate cessation of United States' assistance would certainly have worsened Spain's dollar position, but not irreparably since the Government would have offset it by reimposing rigid import controls on dollar goods. The small amount of dollar aid had a very limited effect on the Spanish productive capacity, which would have continued its slow transformation and modernisation even without dollar assistance. The Spanish economy would have probably adjusted to a sudden

termination of United States aid, just as it had adjusted to the loss of other transitory advantages such as the Argentine aid and the stock-piling programmes following the outbreak of hostilities in Korea.

In a way, American credits made a difference. It was not that American economic assistance represented a major force driving Spain back to the international organisations, but rather that the lack of assistance postponed Spain's full incorporation into those of a European scope despite the Spanish Government's intention to move towards freer and multilateral trade. This chapter has provided the first such example: in April 1954 when the Spanish Government requested American assistance in order to implement import liberalisation, the Americans rejected the proposal. Additional examples will be provided in chapters five and seven. If an American offer of aid to support the initial debit position of Spain within EPU had come at the end of 1954, it would have eased the OEEC's acceptance of Spanish membership because a higher degree of compliance with the OEEC/EPU rules could have been imposed upon Spain with lesser disruptive effects on the OEEC trade liberalisation programme. It would have also eased the Spanish Government's final decision in favour of joining OEEC/EPU, because the economic impact of import liberalisation would have been at least softened by adding American financial assistance to EPU credits. With a minimum American commitment in terms of *ad hoc* dollar assistance, the Spanish Government could have joined OEEC when the European agricultural conference was transferred to it; without it Spain joined the OEEC when this body was no more than a statistical office and the EPU had disappeared.

**SPAIN AND EUROPEAN ECONOMIC COOPERATION, 1945-1955
A CASE STUDY IN SPANISH FOREIGN ECONOMIC POLICY**

by Fernando Guirao

*Dissertation submitted in fulfillment of the requirements
for the degree of Doctor of Philosophy
at the European University Institute
Department of History and Civilization*

Volume II

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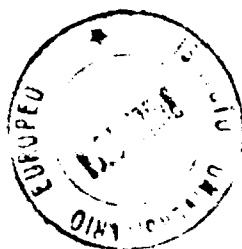
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Chapter 5:

BILATERALISM WITHIN A MULTILATERAL CONTEXT OEEC AND EPU, 1949-1955 WHAT DEGREE OF DISCRIMINATION AGAINST SPAIN?

5.1. Introduction	p. 346
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5.3. The OEEC Trade Liberalisation	p. 372
5.3.1. The Mechanics of Trade Liberalisation	p. 374
5.3.2. An Obstacle to Spain's Export Trade?	p. 377
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5.4.1. The EPU versus Spain's Financial Arrangements	p. 425
5.4.2. Spain within the EPU?	p. 427
5.5. Conclusions	p. 444

"Any question of recognising Franco would arouse tremendous resentment in all parties. So long as we were only dealing with trade and similar questions that were not political, there was no difficulty."
Minister of Foreign Affairs Robert Schuman and Foreign Secretary Ernest Bevin to the U.S. Secretary of State George C. Marshall, October 1948¹

"Spain considers herself a part of everything that affects Western Europe."
Francisco Franco, November 1948²

5.1. Introduction

Bilateral agreements were the basic instrument for channelling and financing trade among most of the countries of the non-dollar world and of the OEEC before the

¹. PRO, FO 371/73337: Extract from "Record of Meeting at the Quai d'Orsay on 4th October 1948".

². Franco to the New York Times, 12 November 1948, cit. in Manuel Sassot Cañadas: "Actitud española ante la integración europea", Revista de Estudios Políticos, no. 158, March-April 1968, pp. 5-25, p. 7.

establishment of the European Payments Union (henceforth, EPU).³ At the time of Marshall's speech in Harvard, the number of trade and payments agreements in force was about two hundred.⁴ Even the Marshall Plan, which was launched as the definitive step towards European unification, was implemented through executive bilateral agreements between the United States and each of the receiving countries. Intra-European trade remained at an almost barter stage based on discrimination, quantitative restrictions, direct controls over foreign exchange, and other trade barriers until trade liberalisation, backed by an effective mechanism for setting off balances multilaterally, was fully effective. Even then, bilateralism subsisted. By October 1954, there were approximately ninety bilateral agreements and similar agreements in force between EPU members; in general, there were about 235 agreements between pairs of European countries.⁵

Spain had been an efficient part of the network of bilateral agreements that allowed the resumption of intra-European trade among soft-currency countries without waiting for the solution of the chronic hard-currency shortage. However, contrary to what became the future European pattern, Spanish trade remained conducted exclusively on a bilateral basis during the entire period under consideration. Spain's main trading features were quantitative restrictions, a narrow licencing system, the administrative concession of foreign exchange at a multiplicity of exchange rates, and several practices directed to the promotion of exports (i.e., compensation, combined accounts for exports and imports, and import surcharges combined with export subsidies), all of which were conducted through bilateral agreements for trade and payments.

³. For the degree of protectionism and trade discrimination of the years after 1945 and the differences between this period and the 1930s see Gardner Patterson and Judd Polk: "The Emerging Pattern of Bilateralism" The Quarterly Journal of Economics, vol. 62, no. 1, November 1947, pp. 118-43; William Diebold Jr.: Trade and Payments in Western Europe. A Study in Economic Cooperation 1947-51, New York [Harper & Brothers] 1952, pp. 15 ff.; Johan H.C. de Looper: "Current Usage of Payments Agreements and Trade Agreements", International Monetary Fund Papers, vol. 4, 1955, pp. 339-98; Alan S. Milward: The Reconstruction of Western Europe 1945-51, London [Methuen] 1987, pp. 216 ff.; and Richard T. Griffiths: "The Stranglehold of Bilateralism", in Griffiths (ed.): The Netherlands and the Integration of Europe 1945-1957, Amsterdam [NEHA] 1990, pp. 1-26.

⁴. United Nations, Department of Economic Affairs, Economic Commission for Europe (henceforth, ECE): A Survey of the Economic Situation and Prospects of Europe, Geneva, 1948. A Spanish reduced version was published in Revista de Economía Política, vol. 3, nos. 1-2, May-September 1951, pp. 90-143.

⁵. de Looper, art. cit., p. 340.

Whether Spanish bilateralism was an option consciously adopted by the Francoist State as a function of domestic interest groups or part of its ideology, is of no interest here.⁶ Juan Antonio Suanzes, Spanish Minister of Industry and Commerce and known as the most autarchic of all the Spanish officials, explained the importance of trading in very simple terms:

"The serious limitations on the required imports from abroad provoke disturbances out of proportion and superior to the value of imports not purchased. The impossibility of importing them affects to the entire industrial circle and to finished products of a value many times higher and, in occasions, of difficult or impossible substitution, with an impact on essential aspects of production and labour".⁷

For the purpose of this chapter, the basic choice was between autarchy and maintaining the existing bilateral system and trying to make it more flexible and beneficial. Between 1948 and 1955, Spanish participation in the organisations promoting trade liberalisation and multilateral settlements of outstanding balances was barred from consideration in the western capitals. However, bilateral agreements represented the first step away from national autarchy and toward the resumption of international trade and payments. The absence of a bilateral agreement with a non-dollar country frequently meant that trade with this country took place only under rigidly balanced barter arrangements (the so-called "compensations"), if at all. In such case, bilateralism loses part of its "evil" nature and becomes a trade-creating device.

⁶. Some authors explain that bilateral and restrictive trade practices were an essential part of the Franco regime's philosophy and were, thus, difficult to renounce. See Juan Carlos Jiménez: "Las consecuencias económicas de la guerra civil (una nota sobre los artículos publicados en el núm. 21 de la revista *Economistas*, bajo el título <<Economía española, 1936>>)", *Revista de Historia Económica*, no. 1, 1987, pp. 121-30, in particular pp. 124-25; and Raymond Carr: *Modern Spain 1875-1980*, Oxford [Oxford University Press] 1980, p. 739, repeated in Carr and Juan Pablo Fusi Aizpurúa: *Spain: Dictatorship to Democracy*, London [George Allen & Unwin] 1979, pp. 50-51. It is important to notice, however, that the maintenance of trade through bilateral channels were felt to provide no advantage, i.e., Manuel de Torres: Preface to Albert O. Hirschman: *La potencia económica y la estructura del comercio exterior* [published originally as *Nation Power and the Structure of Foreign Trade*], Madrid [Aguilar] 1950; and Antonio de Torres Espinosa, Spanish Under-Secretary of Commerce: *La industrialización del país y sus interrelaciones con el comercio exterior. Problema de un futuro próximo*, Madrid [Oficina de Estudios Económicos del Ministerio de Comercio] 1954, text of a speech on 23 June.

⁷. Speech in April 1951 quoted in "La exportación en la economía española", *Información Comercial Española*, no. 348, August 1962, pp. 75-85, p. 80.



After 1949, export trade maintained the responsibility for financing imports of machinery and raw materials necessary for reconstruction plans. The Spanish Administration's appeals for foreign assistance, which could have provided imports with no drain on reserves, went mainly unheard. Although confronted by perennial shortages of basic foodstuffs and blockages in industrial production, borrowing from abroad to finance imports was not a feasible option. Spain's non-participation in the financial aid arrangements for European countries (i.e., the Organisation for European Economic Cooperation (henceforth, OEEC) distributing United States' financial aid and the EPU's automatic credits) ruled out the possibility of international financial assistance for purposes of economic reconstruction and growth. With no access to Marshall Aid, with few remittances from emigrants, and reduced income from tourism, Spain was obliged to keep imports strictly within the available means of payment derived from visible exports.

When foreign currency earnings must rely on exports, especially agricultural exports, specific attention should be paid to Western Europe in order to understand Spain's foreign economic policy during the final years of the 1940s and the early 1950s. The OEEC countries occupied a large proportion in Spain's trade: 56.3 per cent of total exports and 46.6 per cent of total imports in the period from 1949 to 1955 (see tables 1 and 2). They were natural markets for Spain's main export items and suppliers of manufactured goods. While Spain's exports to Western Europe suffered the variability of agricultural crops and measures for domestic protection, imports from OEEC countries constantly increased their proportion in Spain's total imports; from 19.79 per cent in 1947 to 69.5 per cent in 1955 (see tables 1 and 2). Trade with Western Europe, thus, appeared to be strategic for overcoming some of the bottlenecks to sustained economic development. The EPU, mainly the United Kingdom, Germany, and France, constituted the leading customer for as well as taker from the Spanish Monetary Area throughout the early 1950s (see table 5.1).

It is worth noticing that Spain's total exports expanded very weakly; exports augmented 19.8 per cent between 1948 and 1955 (see tables 2 and 4.1). This was an extremely low performance if one considers that world's exports increased 56.2 per cent in that same period, and continental western Europe's total exports (excluding Yugoslavia

TABLE 5.1
DISTRIBUTION OF FOREIGN TRADE OF THE SPANISH MONETARY AREA
BY MAIN MONETARY AREAS AND MAIN PARTNERS, 1950-1955
(in percentages)

Monetary Areas	EXPORTS				IMPORTS			
	1950	1953	1954	1955	1950	1953	1954	1955
EPU Area	55	64	61	64	52	63	61	59
of which:								
-Sterling area	24	19	21	19	15	14	14	15
-Germany	3	13	11	15	4	12	11	10
-France	7	8	7	8	8	11	9	11
Dollar Area	21	15	15	17	24	21	23	24
of which:								
-USA	15	11	10	10	15	12	18	19
Latin American countries outside the dollar area	7	4	4	7	11	5	5	6
Rest of the world	17	17	20	12	13	11	11	11

Source: AD, DE-CE, vol. 371: OEEC, Conseil, Doc. C(56)201: "Association de l'Espagne aux travaux de l'organisation. Rapport du groupe de travail special du conseil. Appendice à l'Annexe A", Paris, 25 July 1956, Annex A, Paris, 17 July 1956.

and Finland) increased 145.7 per cent.⁸ Nevertheless, the argument here is one of quality. Spain's trade relations did not allow rapid trade expansion or economic transformation, but kept the Spanish economy away from collapse. During the period from 1948 to 1955, Spain's imports increased 28 per cent (continental western Europe's imports increased 72.6 per cent) and helped the Spanish economy to proceed to an important rate of expansion in the 1950s, which represented Spain's first post-1945 period of economic growth.

Between 1946 and 1949 Spain's GDP multiplied 1.4 times; it multiplied 2.5 times between 1949 and 1956.⁹ The increase of GDP during the five first years of the 1950s was 129 per cent higher, in per capita terms, than the increase between 1945 and 1950.¹⁰ The sectoral composition of Spain's GDP varied accordingly to the industrial growth rate attained in the early 1950s. Industrial production increased at a rate of 6.6 per cent of annual growth from 1951 to 1955, while it had been of 1 per cent between 1946 and

⁸. United Nations: Yearbook of International Trade Statistics, 1957, vol. I, New York, 1958.

⁹. Julio Alcaide: "Una revisión urgente de la serie de renta nacional española en el siglo XX", Datos básicos para la historia financiera de España, 1850-1975, vol. I, Madrid [Instituto de Estudios Fiscales] 1976, pp. 1127-50, reproduced in Albert Carreras: "La renta y la riqueza", in Carreras (ed): Estadísticas Históricas de España. Siglos XIX y XX, Madrid [Fundación Banco Exterior] 1989 (henceforth referred to as Estadísticas históricas), pp. 533-88, table 13.5, p. 553.

¹⁰. At constant pesetas of 1970; *ibid*, table 13.13, p. 562.

1950.¹¹ At the same time, an increase in the volume of imports of capital goods, in absolute as well as in relative terms, took place.¹² Fifty per cent of the capital investments in place in 1963 corresponded to acquisition of equipment in the first half of the 1950s.¹³

The fact that Spanish bilateralism did not collapse within the context of countries moving toward multilateral cooperation in trade and payments requires an explanation. This chapter aims to show the effect of the early institutional forms of European economic cooperation on Spain's trade performance. It will determine how effectively Spain was excluded from the benefits deriving from the proscription of non-tariff forms of discrimination between OEEC members, as well as the consequences of its exclusion from the benefits of the EPU's multilateral settlements mechanisms. This case-study is particularly interesting because Spain was the only western European country excluded from the OEEC and the EPU.

Records of bilateral trade talks proved to be an important source, because, as will be shown, concessions from individual countries in terms of extending a similar OEEC treatment to Spain on specific commodities was an important subject when negotiating the signing or renewal of trade and payments agreements during the 1950s. Future research should try to systematise this set of records, at present spread over the different administrative archives. An attempt should be made to create entire series -either by commodities or by countries- in order to derive more precise conclusions than the ones obtained from the study of Spain's trade relations with the United Kingdom, France, and Western Germany. Altogether these three markets passed from accounting for 31 per cent of Spain's export trade in value in 1948 to 39 per cent in 1955. On average, for the period from 1948 to 1955, all three countries accounted for 35 per cent of Spain's export trade. France accounted for 8.8 per cent, Germany for 7.5 per cent, and the lion's share

¹¹. Carreras: "La industria", in Estadísticas históricas, pp. 169-247, table 5.14, pp. 192-93.

¹². Banco de Urquijo: a) La economía española en 1952-53, Madrid, 1954; b) The Spanish Economy, 1954-56, Madrid, 1957.

¹³. Ministerio de Industria: "Estudio sobre las inversiones industriales en algunos sectores industriales en el periodo 1925-1962", in Economía Industrial, no. 1, January 1964.

corresponded to the United Kingdom (18.5 per cent).¹⁴

The fact that the United Kingdom and France were Spain's leading customers and suppliers in Europe becomes more important when one considers that the outspoken political dislike of both countries for the Franco regime was intense during the period under consideration. The attitude of the Spanish authorities towards them was influenced by a number of real and imagined grievances used as safety-valves for popular discontent. The Spanish Government resented the British and French because it considered they were the primary instigators of the evils the Spaniards were suffering and that they were responsible for Spain's exclusion from Western European regional arrangements. Notwithstanding the declared political hostility against Spain, this chapter will show that bilateral trade continued to be uninfluenced by political differences.

5.2. Trade as the Alternative Course of Action

Spanish Foreign Minister Alberto Martín Artajo declared that, after the signing of the Pact of Madrid in September 1953, the Spanish Government was finally "free to act and can concentrate the whole of its attention to the theatre of European diplomacy."¹⁵ This sentiment, which has been widely accepted ever since, was mere propaganda. Although Western Europe was not on the list of declared priorities of Spanish foreign policy, it constituted the essential element of Spanish foreign economic policy since the end of World War II. USA-Spain relations have captured researchers' imagination because they have been placed within the so-called *high politics*; Western Europe, on the other hand, has been perceived as a scattered bloc dealing with such *low politics* as trade and technical matters. In this case, regardless of labels, high politics were ineffective, and trade, payments, and other technical matters were rather more

¹⁴. United Nations: Yearbook of International Trade Statistics (various years). It includes gold and excludes trade with the Canary Islands, Spanish Morocco, Guinea, and Spanish territories in North Africa.

¹⁵. MAE, Leg. 3503, exp. 23: "Las consecuencias de los acuerdos de Madrid", November 1953, cit. in Juan Carlos Pereira Castañares and Antonio Moreno Juste: "La España franquista en el proceso de construcción europea (1945-1970)", Storia delle relazioni internazionali (forthcoming).

effective in providing relief to the Spanish economic and political system.

Most countries in Western Europe considered bilateral trade with Spain independently from political considerations. This attitude had been temporary shadowed by the strong ideological commitments made at the time of launching and securing the Marshall Plan. Once the European Recovery Plan (henceforth, ERP) was a reality, most West European governments had taken the line that they continued to disapprove of the Franco regime as a political system, but that they were willing, in the interest of Europe, to cooperate economically, as they did with other countries whose system of government they did not approve.

How could Spain be excluded from the programme of viability, i.e., the return of the European economies to a state which would allow them, without requiring continued dollar assistance, to move towards a world-wide non-discriminatory trade system and to the general convertibility of currencies by 1952/53? This question had been asked more than once by national delegates to the OEEC, although always outside of the Council room. As the OEEC's primary purpose was to increase the resources of food and raw materials outside the dollar area, some thought was inevitably given to a country which was geographically inseparable from the group and had rich deposits of high grade iron ores, potash and pyrites, as well as zinc, lead, mercury, wolfram, cork, rosin, and many other raw materials. In April 1948, Sir Hugh Ellis-Rees, from the British Treasury and a member of the British delegation to the OEEC, informed the Foreign Office that the "Spanish products are more in demand in this country than ever before; that many of them would be irreplaceable except against dollar expenditure and that to take an objective view Spain must be regarded as an indispensable unit in the Western European economy."¹⁶ Sir Edmund Hall-Patch, leader of the British delegation to the OEEC and Chairman of its Executive Committee, bluntly stated that if Spain's productive capacity could be brought into the scope of the ERP, "the participating countries would gain much greater advantages than at present, when each of them tries to make, without much publicity, a

¹⁶. PRO, FO 371/73350: Ellis-Rees to FO, "Spain", 22 April 1948.

separate bargain on a bilateral basis."¹⁷ It was then clear that European competition continued unaltered to obtain whatever Spain had to sell of any material interest.

In a meeting early in October 1948 with his French and British counterparts, Robert Schuman and Ernest Bevin, Secretary of State George C. Marshall, confessed that he ignored how to obtain any change in the political as well as economic situations in Spain. The Spanish economy had received no assistance, but Franco was strengthened not weakened by a policy of foreign ostracism. The allied policy represented a difficult compromise between complete isolation and economic boycott, on the one hand, and an attempt to get close to and influence the Spanish Government, on the other. It had the disadvantages of both and the effectiveness of neither. Bevin and Schuman agreed immediately with Marshall, but objected that any step that could be interpreted as recognition of the Franco government would involve serious political complications for their respective governments.¹⁸ Based on public opinion in Western Europe, the Spanish problem had only one definitive solution: the removal of Franco and his regime and their replacement by a democratic government. A temporary solution, however, could be instrumented through trade and technical cooperation.

Most governments in Western Europe seemed to share the sentiment that assisting Spain's economic recovery was necessary and maybe even a step toward advancing its return to the democratic fold, but that to join hands with Franco compromised their political and moral positions. This would have caused difficulties with democratic populaces and even within West European governments themselves. They agreed with the idea of readmitting Spain into various technical organisations (leaving aside military organisations) where Spain's absence was detrimental to their work. This process could always be explained on an *ad hoc* basis for individual agencies and the effect could be

¹⁷. PRO, FO 371/79710: Hall-Patch to Roy Makins, British Deputy Under-Secretary of State for Foreign Affairs (until December 1952), Paris, 21 October 1948.

¹⁸. FRUS, 1948, III, Memorandum by Marshall of conversation with Schuman and Bevin, Paris, 4 October, p. 1054. Schuman and Bevin persuaded Marshall to be very cautious about Spain, according to the record of Marshall's conversation with James Forrestal, United States Secretary of Defense (September 1947-March 1949); Walter Millis (ed.): The Forrestal Diaries, New York [The Viking Press] 1951, p. 502, corresponding to a meeting with Marshall on 10 October 1948.

distributed over a long period of time.¹⁹

The *Spanish question* at the United Nations received initial attention by foreign ministers because periodic discussions in the General Assembly had made the Franco regime an emotional issue that frustrated any possible change of direction. The United States led the movement to render ineffective the operative parts of the 1946 Resolution. The United Nations' General Assembly resolution of 12 December 1946 had recommended the recall from Madrid of the ambassadors of member states, and declared Franco's Spain unworthy of membership in international agencies established by or related to the United Nations. The Europeans did not want to consider the abolition of the moral questioning of the Franco regime and the immediate return of ambassadors to Madrid. All Western European countries maintained that they could not place themselves in the position whereby the Communists could exploit the Franco issue against parties in power and the non-communist left. The decision adopted then was to avoid any further retaliatory policy, because it had indeed strengthened Franco's dictatorship.²⁰ The European consensus did not imply, however, to move very quickly in the direction of the American intentions. Schuman expressed the view that repealing totally the 1946 Resolution could cause the fall of his government.²¹ The United Nations debate, at this stage, revealed that the western bloc was unable to agree on a common solution to the question. The East-West ideological conflict and the fear of providing grain for the communist mill made impossible any positive steps towards the adoption of a common policy to eliminate the Franco regime from the list of international problems. The debate at the United Nations showed further that relations with Spain should be dealt with as a technical matter, leaving aside political issues.

¹⁹. Bevin and Schuman were joined in this opinion by the Ministers of Foreign Affairs of the Benelux countries, Messrs. Paul-Henri Spaak, Dirk U. Stikker and Joseph Bech; PRO, FO 371/73338: Extract from the "Record of a meeting of the Consultative Council [of the Brussels Treaty countries] held at the Quai d'Orsay at 10 a.m. and 4 p.m. on October 26th, 1948".

²⁰. *Ibid.*, "Extract from Meeting held at the Quai d'Orsay", 27 October 1948.

²¹. *FRUS*, 1949, IV, Memorandum by G. Hayden Raynor, the Special Assistant to the Director of the Office of European Affairs (John D. Hickerson), Washington, 19 January 1949, p. 721. Even the possibility for Spain to accede to the harmless 1928 International Convention on economic statistics (discussed in November 1948) had provoked strong reaction in some Western countries; *ibid.*, footnote 7 on p. 723.

There was no need to remind the Americans that Franco was a problem mainly governed by politics, and very difficult politics too. For Europeans, trade contributed to the relief of the Spanish economy and escaped public criticisms. When the Scandinavian foreign ministers, meeting in conference on 23-24 February 1948, agreed to normalise trade relations with Spain, they clarified that it did not imply any change in diplomatic relations with the Spanish Government.²² On the one hand, bilateral trade would take place outside the popular ERP and, thus, it could hardly be perceived as strengthening Franco's authoritarian regime. On the other hand, bilateral trade would channel what the Spanish economy could offer to the economies of Western Europe, and foreign exchange so earned would prevent the collapse of the Spanish economy. Aside from some reservations of a political nature against Franco's regime, the need to help Spain in its economic rehabilitation and, after June 1950, to obtain from that country some strategic raw materials for rearmament programmes seemed obvious.

In general, trade between Spain and the Western European countries was conducted on the basis of precisely defined goods, mostly so-called "essentials" accompanied by "non" or "less essentials" as counterpart to which each partner agreed to issue licences up to a quota (specified either in quantity or value) during the period covered by the agreement (usually one year). "Essential" imports were those commodities considered necessary to feed the population and to implement the Spanish Government's plans for general economic rehabilitation. Consequently, import licences were generally granted only for the more essential needs to prevent the drain of the country's scarce reserves of convertible currencies and gold. As a general rule, the Spanish authorities reserved foreign exchange for import foodstuffs and tobacco, industrial raw materials (in particular petroleum products, cotton, wool, rubber, wood pulp, phosphate, copper), machinery (particularly hydro-electric plant, mining machinery, industrial equipment, public works machinery, motor vehicles -mainly lorries-, tractors and agricultural machinery, railway material, and scientific and precision instruments), chemicals, and, lastly, a limited number of drugs. Licences were generally not issued for goods which could be manufactured in Spain regardless price and quality. Imports of competitive goods

²². FRUS, 1948, III, the U.S. Ambassador in Norway to Marshall, Oslo, 25 February, pp. 31-32.

were allowed in only when Spanish production was outstandingly inadequate to meet domestic demand. Less essentials were goods of a range of consumer and capital goods, which varied from country to country and in time. Their common characteristic was that they were of secondary importance in the use of the always limited foreign exchange resources. Licences were granted for less essentials when they were demanded by the partner in order to secure export and import quotas for essentials. Without some form of restraint, Spain probably would have spent nothing on imports of less essential goods, since it was chronically short of foreign exchange.

Bilateral trade agreements were complemented by payments agreements which defined the method of financing trade. The system by which outstanding balances (after the two central banks had offset their mutual claims and debts) required settlement in gold and/or hard currencies at relatively brief intervals was replaced by one providing for longer periods. The new system also provided for the introduction of the so-called "swings", whereby exporters in the creditor country received payment without having to wait for importers in the debtor country to make full payment into the corresponding account so as to save the debtor the need of paying in dollars and/or gold. The swings or "mutual credit margins" established the amounts of inconvertible credit within which Spain and its partner limited their respective debtor and creditor positions to avoid settlements in either gold or hard currency. Frequently, swings were not paid at the end of a bilateral agreement's life, and thus acted as long-term reciprocal commercial credits, instead of financing temporary swings in bilateral balances of trade. Spain maintained swing credits with all continental OEEC countries except Austria.

Reciprocal swing credits provided limited flexibility in trade. On the one hand, Spain could import from the partner without the need to maintain a strict bilateral trade balance until the deficit in the clearing account reached the authorised limit. On the other hand, most European countries did not have to limit their sales to the value of Spanish purchases of their goods. Increases in the credit margins favourable to Spain were difficult to obtain because the Spaniards could not provide any satisfactory exchange guarantee, and commercial partners found it very difficult to obtain settlement of any substantial Spanish deficit. Contrary to the EPU agreements, where the credit element was provided

by the clearing union mechanism independently of the amounts and number of transactions involved, or the sterling agreements which did not require a bilateral balance of trade between any two particular countries, the Spanish Monetary Area benefited only from limited credit lines established on the basis of a routine anticipation of time-to-time fluctuations in the bilateral balance of trade.

Within this framework, a bilateral balancing of trade was compulsory, once all quotas were utilised and credit swings allowed by the partner exhausted. When the bilateral balance exceeded the agreed credit provisions, the debtor country was committed to settle the difference in gold or dollars (the so-called "gold point"). The credit margins authorised were normally respected by Spain, which tried to conserve its dollar holdings for imports from the dollar area. Frequently, however, the balances in excess of permitted swings were usually not adhered to in practice. As we shall see, in the desire to maintain trade with Spain, Europeans expanded the swings, provided additional short-term commercial credits, and improved the conditions under which certain commodities were exported by Spain.

There was no country in Western Europe that rejected trade with Spain. The Netherlands and Denmark renewed their previous commercial arrangements with Spain in March 1948, and again in May and July 1950, respectively. Sweden signed a bilateral trade agreement in July 1948, which was complemented with a protocol in November 1948 and January 1951. Iceland did so in December 1948. In March 1949 a trade agreement with the Belgium-Luxembourg Union took place to import locomotives, and a proper trade and payments agreement was signed in April 1949 and renewed in June 1950; again in December 1952 -with a credit of 700 million Belgian francs for the purchase of equipment goods and iron and steel products; and again in February 1954 up to 31 January 1955. Switzerland signed a bilateral trade and payments agreement in May 1949 that was complemented with a protocol in December. Italy traded with Spain on the basis of the bilateral trade and payments agreement signed in August 1947 that was renewed in November 1949 and again (with a protocol) in October and November 1950. Norway signed a trade and payments agreement in January 1950. Greece signed a bilateral trade agreement in February 1950 and again in February 1954. Portugal continued to

renewed periodically its commercial arrangements and entered into an Economic Cooperation Agreement with Spain in July 1949. For those countries lacking a trade agreement with Spain (i.e., Austria), bilateral trade was carried on global compensation accounts.²³

The recovery of trade with Germany, formerly an important market for Spanish exports, was slow. The first agreement providing for commercial transactions between Spain and the western zones under allied control was a mere quota list signed in December 1948, which was renewed in April and in November 1949.²⁴ The recovery of Germany's economy and the end of the Allies' physical control over its resources created great expectations about the future capacity of the Federal Republic markets to absorb Spanish export products.

The French Government, which had previously adopted extreme retaliatory measures, decided to reopen its frontier with Spain. Official French quarters had come to the realisation that a policy of open hostility towards Spain was not in the best interests of France itself. Since bilateral trade had been at a standstill for two years after February 1946, the French decided to link the reopening of the border to adopting the necessary steps to recover the commercial ground lost.²⁵ A few weeks after the agreement to open the border progressively, negotiations had been concluded and a bilateral trade and payments agreement was signed on 8 May 1948. This replaced a barter system installed immediately after the reopening of the common border, whereby, for example, 160,000 tons of pyrites were exchanged for 100,000 tons of North African phosphates.²⁶

²³. Information based on the list of bilateral treaties published by the Ministerio de Asuntos Exteriores, Secretaría General Técnica, Servicio de Información: Censo de Tratados Internacionales suscritos por España desde 16 de Septiembre de 1125 a 21 de Octubre de 1975, Vol. I Bilaterales, Madrid [Imprenta de la Oficina de Información Diplomática] 1976. For precedents about Spain's bilateral trade network with European countries see chapter two, pp. 58 ff., and chapter three, p. 214.

²⁴. "Commercial Post-War Relations between Spain and Germany", by the Spanish Commercial Attaché in Bonn, Información Comercial Española (henceforth, ICE), no. 209, January 1951, pp. 85-86.

²⁵. Vincent Auriol (President of the French Republic between January 1947 and January 1954): Journal du Septennant 1947-1954, vol. II, 1948, Paris [Librairie Armand Colin] 1974, pp. 73, 165, 620, and 635.

²⁶. ASMAE, Amb. Paris, b. no. 413: Despatch from Pietro Quaroni, Italy's Ambassador to France, 19 February 1948.

The reopening of the frontier and the new commercial agreement enabled Spain to get vital supplies of phosphates as well as some coal, a wide range of chemicals, electrical goods, motor vehicles, and other transport equipment, and to renew exports on a considerable scale to a traditional market for minerals and agricultural products. The recovery of trade was absolutely spectacular. Imports from Spain grew from French francs 20 million in 1947 to French francs 4,209 million in 1948, while exports went from French francs 3 to French francs 863 million.²⁷ France became a major consumer of Spanish exports immediately in 1948 (see table 2). This occurred despite the facts that all bilateral trade was nil in January, that the border progressively opened only after mid-February, and that the bilateral trade agreement was not signed until May.

Once political obstacles had been overcome, economic difficulties came to the forefront. They explain the slow growth of French exports to Spain until 1950. Among these difficulties was a levy introduced on 30 June 1948. Spanish importers of non-essential goods in Class V of the Spanish tariff had to pay the levy to subsidize exports of essentials (such as iron ore, cork, resin, fruit pulp, sardines, tuna, sweet oranges, lemons, onions, almonds, raisins, and Barcelona kernels), when the peseta price converted at the official rate of exchange was higher than the world market price. Exceptions to the special levy were coal, petroleum products, fertilisers, and a number of raw materials (i.e., cotton, rubber, scrap, pitch, jute, sisal, copper, and copper sulphate). The levy was imposed on a discriminatory country basis (i.e., 20 per cent of the peseta value for French goods, 30 per cent for British, and 40 per cent for Swiss).²⁸

The continued rise in Spanish export prices during 1948, as a result of the over-valued peseta, made its trading situation with all countries increasingly serious. The list of goods that required subsidizing for export to the European markets progressively increased. Spanish prices for its most important export goods (iron ore, pyrites, potash, and oranges) were generally not higher than world prices, but Spanish prices for desirable

²⁷. Direction générale des douanes et droits indirects: Tableau général du commerce extérieure, vols. Commerce de la France avec la France d'Outre-Mer et les pays étrangers.

²⁸. For as detailed explanation see John Walker (British commercial counsellor at the embassy in Madrid): Economic and Commercial Conditions in Spain (April 1948), London [HMSO] 1949.

but less-essential goods were, in many cases, 50 per cent or more higher than world prices.²⁹ As early as October 1948, the French-Spanish agreement failed to work because the margin to be covered by the subsidy proved too great. At the time of renewal, in June 1949, only 65 per cent of the volume of trade forecast during the April-May 1948 negotiations was accomplished. Spanish trade with Italy and Switzerland was virtually in a state of suspense because the surcharge had proven too high also, and exports to the United States fell to 50 per cent of the 1946 level. As Bernard Hardion, the French Chargé d'Affaires in Madrid, perfectly explained, "la balance est équilibrée au post le plus bas".³⁰

The United Kingdom was the only country with which Spain was able to maintain any substantial volume of trade at the time. The absence of a British ambassador in Spain had not impeded Anglo-Spanish trade. Despite the fact that Franco and the Falange had little difficulty in popularising the belief that Socialist Britain aimed to plunge Spain back into civil war, it had always been in the British interest to encourage trade with Spain. Britain had avoided political considerations that might interfere with a realistic economic policy of working agreements with Spain on trade and payments.³¹ As far as possible, the British tried "to keep questions of politics and trade apart, and to conduct the latter on purely business principles."³² For his part, the Spanish Minister of Industry and Commerce, Juan Antonio Suanzes, stressed that bilateral trade should "always be conducted on a plane of mutual understanding and advantage entirely divorced from the political scene."³³ If politics presented no major problems, economics did.

²⁹. PRO, FO 371/73353: "Note by Treasury [Board of Trade and Ministry of Food]: Spain", n/d, n/s.

³⁰. Hardion to Auriol; Auriol, *op. cit.*, vol. III, 1949, p. 142.

³¹. The Monetary Agreement of 28 March 1947 and the Supplementary Monetary Agreement of 26 June 1947 (concerning free convertibility of sterling), which should have governed payments between the Spanish Monetary Area and the Sterling Area up to April 1949 were abrogated by the bilateral trade agreement of June 1948 and the payments agreement of December 1948, when Spain instituted the multiple exchange rate system. The trade agreement was extended until 30 June 1949, when a new trade agreement was signed and complemented with a payments agreement dated on 15 December 1949; a new bilateral trade agreement was signed on 22 June 1950.

³². PRO, FO 371/89548: "Note on Trade with Spain", 17 June 1950.

³³. PRO, FO 371/89547: Minutes of a meeting of officials from the Treasury, the Bank of England, and the Foreign Office, dated 17 May 1950.

The Anglo-Spanish Consultative Committee, set up to keep under review the course of bilateral trade, faced the same problems as other Europeans: trade did not reach the level which was expected to result from the agreements concluded. It soon became clear that the gap between the peseta subsidy fund and the import programme's cost could not be covered except by increasing the existing 30 per cent surcharge to a staggering amount. Such step might simply have stopped trading. Alternative mechanisms, such as combined accounts, failed to promote Spanish exports. No real change in the price situation could be expected in normal circumstances until the peseta was devalued. Nevertheless, keeping imports from Spain within the limits of the subsidy fund on Spanish imports, implied the restriction of Spanish purchasing power which would have resulted, in turn, in a lower level of Spanish imports. In London, as we shall see, the solution to increase Spain's sterling holdings was to grant additional credits and swings, to purchase additional useful Spanish commodities which did not require subsidies, and, more importantly, to implement a non-discriminatory policy with regard to Spanish main export commodities.

The conciliatory British attitude was not insignificant. Spanish-British trade was an essential part of Spain's economic and financial machinery. According to official trade statistics, Spanish trade with Britain was higher than trade Spain maintained with any other country in the world. This fact alone would justify the special attention granted here to the significance of the British market for the Spanish economy and to its fluctuations. To this should be added the very important feature that Spain, by virtue of its payments agreement with the United Kingdom and in accordance with the British regulations, could automatically and freely transfer its sterling earnings for purposes of direct current transactions, not only on the British Isles, but in the whole Sterling Area (from which most of Spanish purchases of petroleum products, rubber, cotton, wool, wheat, and jute came) and in the so-called "transferable accounts area", that is, in the majority of the soft currency countries.

The Sterling Area comprised those countries inside and outside the British Commonwealth of nations that linked their currencies to sterling, were prepared to pool their foreign exchange reserves (particularly of United States dollars) under the

management of the Bank of England, and conducted their transactions with each other in sterling using London as a financial clearing center.³⁴ At the end of 1949, the Sterling Area comprised the following territories: United Kingdom with British Colonies and Protectorates, Australia, Burma, Ceylon, Iceland, India, Iraq, Ireland, New Zealand, Pakistan, and the Union of South Africa. Countries classified within the transferable accounts area were the Anglo-Egyptian Sudan, Chile, Czechoslovakia, Egypt, Ethiopia, Finland, Iran, Italy, the Dutch Monetary Area, Norway, Poland, the Soviet Union, Sweden, and Thailand. Austria, Greece, and Denmark were included within the transferable accounts area once the EPU began operations. Payments could be freely made to those countries classified as "residual group" with respect to direct current transactions: Afghanistan, Albania, Cyrenaica, Eritrea, Liberia, Saudi Arabia, and Tripolitania.

Spain could benefit from "administrative transferability" (i.e., transfers of sterling not freely allowed made with the specific consent of the Bank of England) on the understanding that Spain continued to make adequate provision for financial transfers to the United Kingdom and for imports from the United Kingdom and the Sterling Area as a whole.³⁵ Administrative transferability referred to the following countries, some of them hard currency areas: Argentina, Austria, the Belgian and Portuguese monetary areas, Brazil, Bulgaria, China, Denmark, Formosa, the French franc area, French Somaliland, Greece, Hashemite Jordan, Hungary, Israel, Japan, Lebanon, Paraguay, Peru, Rumania, Switzerland, Syria, Tangier, Turkey, Uruguay, Vatican City, Western Germany, and Yugoslavia. Because the British wanted to reestablish sterling as a medium for international settlements, transferability of sterling for current transactions expanded consistently either by an expansion of the transferable accounts area or by the administrative action of the Bank of England. Countries within the dollar area were the only ones almost permanently excluded from sterling transferability. In addition to Canada, the United States and its possessions, the "american accounts" included the Philippine Republic and the following thirteen Central and South American countries:

³⁴. Hugh Gaitskell: "The Sterling Area", International Affairs, vol. 28, no. 2, April 1952, pp. 170-76; and J.R. Sargent: "Convertibility", Oxford Economic Papers, vol. 6, February 1954, no. 1, pp. 55-68.

³⁵. PRO, FO 371/89547: "Record of discussions between representatives of the Government of Spain and of the Government of the United Kingdom in Madrid from 30 November to 3 December 1949", Madrid, 3 December 1949.

Bolivia, Columbia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, El Salvador, and Venezuela. In sum, if Spain were to improve its sterling position, it would extend purchases to the biggest multilateral trading area in the world.³⁶ The pound sterling was as important as the dollar, and was treated as a currency almost as hard. But from a structural economic point of view, there were more possibilities for increasing the country's sterling earnings through export trade than in directing a considerable part of Spanish exports to the dollar area. Spain's use of sterling, as the British commercial counsellor in Madrid expressed it, was "called to play a crucial rôle in filling the important gaps created by Spain's shortage of dollars and the obvious limitations of narrow bilateral trading with other countries."³⁷

Under these circumstances, it is important to notice that the British gave Spanish exports, in particular agricultural commodities, a rather liberal treatment even before trade liberalisation as promoted by the OEEC applied. The expansion of Spanish exports in the British market before 1950 (see table 5.2) was due exclusively to the promotion of agricultural commodities. Spanish agricultural products imported by the State (i.e., Ministries of Food and Supply) had little restrictions because of the need to meet minimum consumption requirements. Private importers needed no specific permission to import the major Spanish goods, i.e., in British licencing system terms, Open General Licence (henceforth, OGL).³⁸ The Board of Trade offered OGL's to a wide range of consumer goods supplied by those countries where there was no risk of hard currency loss (i.e., the Sterling Area, most OEEC countries -except the Federal Republic, Switzerland, Belgium, and Luxembourg- and certain other non-dollar countries, including Spain). This was done as an initial move before a multilateral European payments system came into operation. Imports not under OGL's (such as mandarins, grapes, lemons, onions, plums, apricots, melons, and peaches) were subject to Open Individual Licence (henceforth, OIL),

³⁶. Membership of the different areas at the end of 1949 comes from International Monetary Fund: First Annual Report on Exchange Restrictions March 1, 1950, Washington D.C., pp. 48-51. For subsequent modifications see the succeeding IMF's annual reports.

³⁷. Clinton G. Pelham: Economic and Commercial Conditions in Spain (May 1951), London [HMSO] 1952, p. 109.

³⁸. A useful outline of the development of import licensing techniques in Britain is provided by A.M. Leyshon: "Import Restrictions in Post-War Britain", Scottish Journal of Political Economy, vol. 4, 1957, pp. 177-93.

that is, licences issued to individual importers on a source-discriminatory basis. For the first four commodities mentioned, individual licences for imports from Spain were freely granted, and Spanish exports were placed at no disadvantage in the British market. This was due to the fact that they did not compete with domestic horticultural production. Otherwise, licences would have been withdrawn during the season of peak home production (block licencing) in the interest of domestic crops.

TABLE 5.2
BRITISH TRADE WITH SPAIN, 1947-1949
(value in 000' Sterling)

	IMPORTS						EXPORTS					
	1947	£	1948	£	1949	£	1947	£	1948	£	1949	£
TOTAL	25,571	100	30,966	100	33,639	100	7,388	100	13,644	100	11,924	100
Class I	18,316	71.6	24,138	77.9	26,677	79.3	154	2.1	229	1.7	185	1.5
Class II	5,042	19.7	4,543	15.1	3,703	14.4	692	9.4	3,293	24.1	4,270	35.8
Class III	2,212	8.6	2,272	7.3	2,743	8.4	6,498	87.9	10,068	73.8	7,419	62.2

Source: Annual Statement of the Trade of the United Kingdom with Commonwealth countries and Foreign Countries. It includes Canary Islands and Spanish ports in North Africa. Value of total imports, not of articles retained in the United Kingdom. Class I: foodstuffs, drink and tobacco; class II: raw materials, minerals, fuels and lubricants; class III: manufactured goods.

The low performance of British imports of manufactured goods from Spain was related to the low economic interest offered by Spain's goods. It was not a result of the non-inclusion of Spain in the token import scheme for manufactured imports, "the only major relaxation in the strict licencing arrangements for manufactured imports" before the OEEC's trade liberalisation programme.³⁹ Although not formally admitted (which could not be justified on political grounds), Spain benefited from the token import scheme through *ad hoc* arrangements. The Spaniards had been anxious for the United Kingdom to grant import quotas on a number of less-essential products: pottery and porcelain, plywood, tiles, leather gloves, boots, shoe and corset laces, stockings, leather shoes, buttons, jars, bottles, and capsules. In order to satisfy the Spaniards, the United Kingdom

³⁹. Ibid., p. 181. The exporters from the countries under the scheme were allowed to send a fixed percentage by value of their pre-war exports (between 20 and 40 per cent) for an agreed list of products (about two hundred commodities), mainly consumer goods, but including also some goods for industry.

should have granted quotas on a scale likely to give them better treatment than a number of OEEC countries that faced British domestic protection, particularly on high quality pottery and textile goods. However, had the United Kingdom refused every concession, it would have obtained no quotas for essentials from Spain: iron ore, potash, pyrites, zinc concentrates, rosin, mercury, and wolfram. The Board of Trade suggested that, since Spain's interests were confined to a few items, some of which received import quotas already, by granting token import quotas to a few goods -i.e., cotton textiles, chemicals, textiles, porcelain, toys, shoes, and tobacco- they covered the Spanish list without great economic effort. This was finally agreed upon by the Foreign Office and Treasury officials.⁴⁰

Spain's exports of raw materials to the United Kingdom did not increase because of low output.⁴¹ Although the world supply of raw materials had improved from previous years, the dominant rule was to obtain as much non-dollar supply from the greatest possible diversion of sources. Potash provides a good example of the logic of this attitude. A worldwide shortage of potash was reduced in 1947 when Palestine potash appeared on the world markets and the Soviet zone of Germany reappeared as a potash supplier. However, the United States' pressure, after November 1947, on an embargo policy as part of a general containment strategy against the Soviet Union and its satellites posed an uncertain threat to the latter source of potash.⁴² In fact, Spanish potash was left as the only substitute when a shortage of potash was accentuated in 1948 by the interruption of supplies of high grade Palestine potash. That year Spain traded large quantities of potash in exchange for ammonium sulphate from Belgium, potatoes from the Netherlands, and

⁴⁰. PRO, FO 371/73350: "Amendment to instructions to Delegation", Board of Trade to G.M. Wilson, Cabinet Office, 24 April 1948.

⁴¹. The British agreed that if Spain had more equipment, more railway wagons and locomotives, and attended harbours, its production and exports of potash, iron ores, and other supplies then withheld from the world could be greatly increased; PRO, FO 371/79710: Hall-Patch to Makins, Paris, 21 October 1948.

⁴². Vibeke Sorensen: "Defense without Tears: U.S. Embargo Policy and Economic Security in Western Europe, 1947-1951", in Francis H. Heller and John R. Gillingham: NATO: The Founding of the Atlantic Alliance and the Integration of Europe, New York [St. Martin's Press] 1992, pp. 253-81, pp. 257 and 276. The latter with Sorensen: "Economic Recovery versus Containment: The Anglo-American Controversy over East-West Trade, 1947-1951", Cooperation and Conflict, no. 24, 1989, pp. 69-97, present the Anglo-British disagreement over the embargo policy.

pulp from Scandinavia. The United States was also knocking at the door for supplies against payments in dollars at exceptionally attractive prices.

The British main concern regarding Spain was to obtain a fair share of its exports of raw materials. For Hall-Patch, Spain's resources were necessary for the reconstruction and defence of Europe.⁴³ The Franco regime could not change the value of Spanish products to the British economy, where Spain maintained a privileged position as a supplier of raw materials to the United Kingdom:

TABLE 5.3
BRITISH IMPORTS OF SOME RAW MATERIALS, 1949-1950

YEAR	1949	1950
Pyrites (tons)	230,323	195,829
from Spain	227,342	179,901
Iron ore (tons)	8,692,897	8,412,876
from Sweden	3,103,819	3,441,802
from Algeria	1,585,947	1,481,057
from Spain	807,297	750,239
from Spanish North Africa	491,176	433,526
from Tunisia	453,567	468,590
from France	368,611	373,021
Mercury (lb.)	1,430,586	4,119,097
from Spain	874,505	3,532,807
from Italy	104,352	528,822
from Yugoslavia	98,110	---
Potash (tons)	394,193	397,982
from France	160,638	157,614
from Spain	53,494	56,419

Source: PRO, BT 11/4722: Notes on estimates of essential supplies.

While the total volume of exports to the United Kingdom, especially of agricultural produce, continuously expanded, direct imports into Spain from the United Kingdom increased less, and, many of the less-essential manufactured goods diminished. This situation differed from the great expectations created by the British commercial counsellors in Madrid, according to whom, the greater exchange difficulties experienced by the main competitors on the Spanish market offered British producers the opportunity

⁴³. PRO, FO 371/73363: Paris to FO, 22 October 1948.

to get well-established there.⁴⁴ Spain's main trading problem with European countries was its inability (or unwillingness) to purchase a greater amount of less essentials. In general, bilateral agreements were based on the assumption that essentials (i.e., capital goods and certain raw materials) were generally supplied by commercial partners based upon a certain level of purchase of less essentials. Although the problem caused by a low level of imports of less-essential manufactured goods was not exclusively Spain's, it was an important factor in Anglo-Spanish commercial negotiations, deserving historical attention.

The system of quota lists in the Spanish-British Trade Agreement of June 1948 was a first attempt to increase the rate of Spanish purchases of less essentials. A first set of lists enumerated the commodities that each government wanted to import from the other, and the maximum allocations allowed by each country in case of a scarcity.⁴⁵ A second set of lists referred to less-essential goods, on which the importing authorities were bound to issue import licences. List drafting revealed the conflict-prone nature of bilateralism; the foreign country was anxious to obtain Spanish raw materials and Spain was anxious to press the sales of articles of secondary importance to foreign importers, and vice-versa. The lists established approximate quantities and values, but they did not commit either government to the prices to be paid.

Since the first revision of the bilateral trade agreements in November 1948, the Spanish import authorities complied badly in licencing quotas of British less-essentials as prescribed in the trade agreements:

"The Spanish tendency was to spoil every trade agreement by buying all the essentials and pleading poverty when they were asked to take less essentials. When goods offered had no interest for them they had no money but they could suddenly produce money if copper or iron and steel were offered to

⁴⁴. Walker, op. cit., and "Post-war Import Licensing Policy in Spain", The Board of Trade Journal, 28 August 1948, pp. 411-12.

⁴⁵. The British list of essential imports from Spain referred to raw materials (i.e., iron ore, potash, pyrites, cork, zinc concentrates, rosin, salt, mercury, and wolfram) and foodstuffs (i.e., citrus fruit, tomatoes, bananas, sherry, onions, potatoes, olives, nuts, and fish). The Spanish list of essentials from the United Kingdom referred, basically, to raw materials and semi-manufactured goods for Spanish coal, iron, and steel industries, plus cotton, petroleum products, chemical and pharmaceutical components, heavy electrical plant, and transport equipment.

them."⁴⁶

The Spanish tried, as did all west European countries, to use their currency holdings for imports of essentials to the near exclusion of other goods of a less-essential nature, but which trade partners were anxious to export. Since Spain's sterling holdings to pay for essentials (raw materials from Sterling Area countries, oil supplied by British companies, and heavy equipment from the United Kingdom) were low, the Spanish authorities reluctantly granted licences for less essentials. To attribute the problem to Spain's inability to earn "enough" sterling was redundant, because Spain would always be chronically short of sterling.

Part of the sterling shortage was attributed to the smuggling of export earnings not ceded to the Spanish Institute for Foreign Exchange by exporters of oranges and tomatoes due to unfavourable rates of exchange. It was estimated that not less than £2.5 million were retained in the United Kingdom by exporters of Canary Islands tomatoes during the season of 1947-1948.⁴⁷ Initially, smugglers asked authorisation to import goods in the Canary Islands with the money they had not declared; this was rejected by Minister Suanzes.⁴⁸ In the spring of 1949, they declared to the IEME earnings valued at £1.5 million. It was estimated that they retained £3 million. In order to assist the Spanish authorities, the British authorities decided to hand over the importers' customs declarations.⁴⁹

During 1949, most countries adopted a fixed percentage of purchases of essentials because the lists previously mentioned had become mere catalogues of what the different countries had to offer. Each year agreements were reached, following an estimation of how much Spain was likely to earn and what proportion was set aside for purchase of less essentials. The first agreement signed on this line was the Spanish-Belgian one of April

⁴⁶. PRO, FO 371/79710: British Embassy in Madrid to the Treasury, 4 May 1949.

⁴⁷. PRO, FO 371/73353: "Note by Treasury [Board of Trade and Ministry of Food]: Spain", n/d, n/s.

⁴⁸. AHBE, IEME, box no. 4: S/C, 13 and 20 July 1948.

⁴⁹. AHBE, IEME, box no. 2: Suanzes at the C/A, 1 March 1949.

1949. It was agreed that eight per cent of Spain's export proceeds would be reserved for the settlement of outstanding financial claims (including a substantial volume of pre-Civil War debts); fifteen per cent would be for Spanish purchases of commodities stipulated in the trade agreement as non-essentials; the remaining seventy-seven per cent would go for purchases of Belgian goods enumerated in the quota list.⁵⁰ This procedure failed to work because the exact percentage figure was not known until the end of the trade year, and because, independently of the agreements, when Spain's earnings fell below expectation, the proportion corresponding to less essentials continued to be the first to suffer.

The fact that Spain did not purchase the quota amounts of less essentials created some disagreement among the British. Merchants in Madrid, fearing French and Belgian competition in the fields of machinery and transport equipment, criticised their government "for not taking more Spanish produce and for not insisting that Spain shall only buy manufactured goods in exchange."⁵¹ Some in London were of a different view. The Board of Trade was being "increasingly pressed" by British industrialists of less-essential manufactured goods by the lack of Spanish licences over a wide range of goods.⁵² They drew special attention to these export goods because these were commodities that had difficulties on all markets, especially in more competitive markets in the United States and Europe. The Board of Trade presented for consideration some sanctions to force the Spanish to fulfil their undertakings for less essentials in the agreed minutes of the trade agreement, although it recognised that the "armoury of threats" was limited.⁵³

The most important bargaining tool at the British disposal was to remove sterling transferability benefits from Spain, that is, to deny Spain the use of its sterling earnings to make payments to third countries for current transactions. The British Treasury and the

⁵⁰. The Spanish-Belgian agreement is a classic example of its type used in textbooks; i.e., Merlyn Nelson Trued and Raymond F. Mikesell: Postwar Bilateral Payments Agreements, Princeton [Princeton University] 1955, p. 32.

⁵¹. PRO, FO 371/79710: Douglas Howard, British Chargé d'Affaires in Madrid (after December 1946) to FO, 10 May 1949.

⁵². PRO, FO 371/89547: BT to FO, 27 January 1950.

⁵³. Ibid.

Bank of England maintained that they could not use a financial sanction of this magnitude in countering short-comings in commercial practices. In the first place, sterling transferability sanctions were inconvenient at the time when British policy was to make sterling more rather than less convertible. Any administrative modification such as the one proposed could not be done "without upsetting the overall world implications" of the use of sterling as an international currency. Secondly, third-country transfers by Spain, after the previous approval by the Bank of England had been granted, amounted to very little (i.e., £380,000). The amounts involved did not seem to indicate any wild wish to discriminate against British products. "As far as the rules of sterling were concerned Spain had behaved in an exemplary manner."⁵⁴ The largest part of Spain's sterling earnings were automatically absorbed by its essential and traditional sterling imports, which included coal, capital equipment, and certain other products from the United Kingdom, petroleum products supplied by British companies, and imports of essential raw materials such as wool, cotton, and rubber from Commonwealth countries.

The Spanish authorities argued that they were short of sterling and wanted to use their reserves to the best advantage, that is to say for the import of raw materials and capital goods.⁵⁵ The fulfillment of less-essential purchases depended directly on how well they could obtain their basic needs and still earn a surplus of the necessary currency for less essentials.⁵⁶ From a commercial point of view, although Spain failed to admit more less-essential goods, it imported increasingly greater quantities of raw materials and capital goods from the United Kingdom, during the period of concern (see tables 5.2 and 5.8).

⁵⁴. Paragraph based on and quotations corresponding to *ibid.*, "Minutes on Anglo-Spanish Trade Negotiations", meeting of officials representing the Board of Trade, the Bank of England, the Treasury, and the Foreign Office, London, 8 May 1950.

⁵⁵. MAE, Leg. 6285, exp. 2: "Informe solicitando normas de tipo general en materia de negociación para los próximos acuerdos comerciales", Madrid, 9 March 1950.

⁵⁶. The Spanish Under-Secretary of Foreign Economy and Commerce, Tomás Súñer Ferrer, promised that, in return for the understanding attitude of the British, who had allowed extensive use of sterling to buy large quantities of essential goods at the time of food difficulties, the Spanish Ministry of Industry and Commerce would issue licences for a considerable number of contracts relating to less essentials; PRO, FO 371/89547: G. Clinton Pelham, British Embassy in Madrid, to A.R. Bruce, official at the Export Department of the Board of Trade, 3 April 1950. Licences were granted for railway materials, machines, machine tools, electrical machinery, but only a few for less essentials (i.e., motor cars and commercial vehicles) PRO, FO 371/89548: British Embassy in Madrid to BT, 30 October 1950.

Any overall reduction of trade due to discriminatory action would have been felt most in Spanish imports of less-essential goods. No discriminatory action could improve Spain's sterling holdings, which was exactly what the discussion was all about. Finally, it is important to notice that the Board of Trade did not consider excluding Spain from OGL. This was not surprising, because the British policy towards Spain was in strict accordance with the general tendency to extend quota removal to non-OEEC soft-currency countries when it did not lead to balance-of-payments difficulties involving loss of gold and dollars.⁵⁷

In sum, the British decided to expand imports from Spain, including less-essential goods on a unilateral basis, provided they obtained what they considered a reasonable share of essential Spanish raw materials. Coal remained by far the most important item from the Spanish point of view, followed by tin-plate, copper, fertilisers and supplies of petroleum products. It is important to bare in mind for the rest of this chapter that Spain hard-bargained its essential raw materials in strong European competition against British coal, sterling transferability rights, and a non-discriminatory treatment when the OEEC moved towards new forms of multilateral economic cooperation.

5.3. The OEEC Trade Liberalisation

The OEEC's foundational convention was signed in Paris on 16 April 1948 as the first stone on the path towards European Unity.⁵⁸ The OEEC's tasks were to promote a

⁵⁷. 466 H.C. DEB. 5.s., 7 July 1949, pp. 2313-14; and announcement by the President of the Board of Trade on 29 September, cit. in International Monetary Fund: Second Annual Report on Exchange Restrictions April 1951, Washington D.C., p. 28.

⁵⁸. Convention for European Economic Co-operation, April 16, 1948, Paris. The Convention can also be found in European Yearbook, vol. I, The Hague [Martinus Nijhoff] 1955, pp. 230-57. The members of the OEEC were Austria, Belgium, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom. Trieste was an OEEC member until the absorption of its territory by Italy and Yugoslavia. For a detailed study of the structure, functions and juridical aspects of this organisation and the initial obligations of its member-states, see H.T. Adam: L'Organisation européenne de coopération économique, Paris [Librairie Générale de Droit et de Jurisprudence] 1949; for a much lighter introduction to this institution see Donald Mallet: "The History and Structure of

common reconstruction programme, to take steps to remove trade restrictions between the participating countries, and to ease financial barriers (art. 2). From April to August 1948, the negotiation and signing of the several bilateral agreements with the United States Government took place establishing the conditions for granting aid. When the OEEC began to screen the national requests for Marshall Aid and deal with payments problems, the divisions between its member-countries were such that its strategy changed. The OEEC moved from the allocation of aid to the implementation of trade liberalisation through the removal of quantitative restrictions.⁵⁹ The concept of "liberalisation" used by the OEEC meant the absence of import controls, either because licencing did not exist or by granting automatically import licences accompanied by the automatic allocation of foreign exchange provisions required for importation.

Emphasis was now placed on freeing trade from quantitative restrictions. These were believed to be a far greater potential impediment to free trade than tariffs which had lost most of their protective incidence due to widespread changes in international prices.⁶⁰ Moreover, there was a specific institution to deal with tariffs as limitations to trade (the General Agreement for Trade and Tariffs, instituted in Geneva in 1947). This organisation and the deep disagreement among the members of the European Customs Union Study Group in 1949 indicated that if progress was to be achieved at the OEEC level efforts had to be concentrated on removing quantitative restrictions.⁶¹

O.E.E.C." in European Yearbook, vol. I, cit., pp. 62-69.

⁵⁹. For a detailed account of this transformation see Milward, op. cit., chapters five and six. To keep it brief, the European economy was to be "reconstructed but without integration"; Pierre Gerbet: "The Origins: Early Attempts and the Emergence of the Six (1945-52)", in Roy Pryce (ed.): The Dynamics of European Union, London [Croom Helm] 1987, pp. 35-48, p. 36.

⁶⁰. Marc Ocrin (Head of the Trade Division in OEEC): "A Single Market in Europe", in European Yearbook, vol. I, cit., pp. 71-80, p. 72.

⁶¹. Wendy Aabeek Brusse: "West European Tariff Plans, 1947-1957. From Study Group to Common Market", doctoral thesis, EUI, Florence, May 1991, pp. 47 ff. The European Customs Union Study Group was set up in September 1947 by the national delegates to the Paris ERP Conference. For a detailed consideration of the American expectations of the Study Group see Diebold, op. cit., pp. 303-18; for the Europeans' own interests and goals, see Milward: a) "The Committee of European Economic Cooperation and the advent of the Customs Union", in Walter Lipgens: A History of European Integration 1945-1947. The Formation of the European Unity Movements, Oxford [Clarendon Press] 1982, pp. 507-68; and b) "L'integrazione dell'Europa occidentale negli anni dell'ERP: l'esperienza del Gruppo di Studio Europeo per l'Unione Dogonale", in Elena Agga Rossi (ed.): Il Piano Marshall e l'Europa, Rome [Enciclopedia Italiana] 1983, pp. 109-18.

5.3.1. The Mechanics of Trade Liberalisation

Trade was conceived as a means for integration and, thus, it was necessary to stop the proliferation of trade barriers and discriminatory practices. A programme for trade liberalisation was the OEEC's main working tool, although the adoption of the non-discrimination principle caused considerable difficulty as long as European currencies remained non transferable among themselves. Before the setting up of the EPU, several payments mechanisms -mutual credit provisions, limited transferability of sterling and of other currencies, and drawing rights (i.e., the United States making dollars available for the specific purpose of offsetting net debt balances accruing in bilateral trade)- attempted to free intra-European trade from the rigidity of bilateralism between inconvertible currency monetary areas. However, the several intra-European payments and compensations agreements in force until June 1950 did not back adequately the potential growth of intra-European trade.⁶²

Initially, the OEEC tried to abolish restrictions on the trade of certain commodities on non-governmental account. The OEEC Council adopted a decision on 13 August 1949 for its members to indicate a list of products on which to proceed with a removal of import restrictions. The countries should indicate the commodities for which liberalisation was to be extended to all the OEEC member states without knowing the counterpoints offered by the others, and those commodities to be liberalised unilaterally for one single country or a restricted group of countries upon satisfactory reciprocal concessions. By October 1949, the OEEC member countries reported the unilateral removal of quotas on some 30 per cent on their trade on private account with the OEEC area (i.e., the metropolitan countries of Europe that were members of OEEC and their dependent

⁶². For a detailed discussion of the nature and limitations of intra-European payments agreements before the establishment of the EPU see Robert W. Bean: "European Multilateral Clearing", The Journal of Political Economy, vol. 56, no. 5, October 1948, pp. 403-15; Diebold, *op. cit.*, pp. 21-86; Robert Triffin: Europe and the Money Muddle. From Bilateralism to Near-Convertibility, 1947-1956, New Haven [Yale University Press] 1957, pp. 147-60; Graham L. Rees: Britain and the Postwar European Payments Systems, Cardiff [University of Wales Press] 1963, pp. 67 ff.; and Milward, Reconstruction, *cit.*, pp. 258 ff.

overseas territories) on the basis of 1948 trade levels.⁶³ It was soon discovered that no commodity could be freed easily by all the countries concerned, because the efforts required were considerably different from one country to another and discriminatory practices were prevalent. In France, for instance, the threat of trade liberalisation provided internal conflict between representatives of agriculture and industry not necessarily because of its immediate effects, but because of the perceived future damage for domestic industries, the determination of inter-sectoral compensations to reach future overall liberalisation percentages, and the selection of the countries that should be officially discriminated.⁶⁴

The limitations of the initial payments system under which European trade was then conducted contributed to making trade liberalisation more painful. The small credit facilities granted between pair of countries, and the requirement to settle bilateral deficits with payments in gold or hard currencies constituted a natural barrier to trade expansion. For the liberalisation of trade to be established on a non-discriminatory basis, a fully multilateral payments system was necessary to provide for an automatic offsetting of monthly surpluses and deficits and for access to short-term credit facilities. Once the experts had initiated work in this direction, commodity liberalisation was substituted by fixed percentages of trade.

The idea was to abolish quantitative restrictions on imports up to a certain percentage of the total amount imported on private account by a given country from the OEEC area during the year 1948. Early in November, the OEEC Council decided to proceed before 15 December with the removal of quantitative restrictions on at least 50 per cent of imports on private account from other OEEC countries using the year 1948 as basis, in each of the three major categories of goods into which trade was divided, i.e.,

⁶³. Had the conditional lists been fully liberalised, the proportion of liberalised trade would have risen to nearly half the 1948 trade among the OEEC countries; Diebold, op. cit., p. 162. The year 1948 was chosen as the datum year for calculating the liberalisation percentages, except for Germany and Austria for which the base years were 1949 and 1952, respectively.

⁶⁴. Griffiths and Guirao: "The Pflimlin and Mansholt Plans", in Griffiths (ed.): The Green Pool (1950-1955): The First Attempt to Create a European Common Agricultural Policy (forthcoming).

raw materials, manufactured goods, agricultural products and foodstuffs. At the end of January 1950, the OEEC Council decided to raise the liberalisation target to 60 per cent. This would be instituted as soon as the EPU could reach a stage of consensus (expected in June).

The EPU became, in proper terms, the first multilateral European financial system. It lasted until the full convertibility of all European currencies to the dollar in 1958. The main feature of the hard-eight-month-negotiated EPU was its full multilateral clearing system for OEEC countries and their dependent territories. The system made European currencies transferable, in effect, inter-convertible on current account transactions, while offering protection against the dollar.⁶⁵ The American Administration accepted a payments union which would discriminate against American exports because the EPU signified a positive step on the road to European integration and the general convertibility of currencies.⁶⁶

A Code of Liberalisation of Trade, approved in Paris on 18 August, in which the rules of merchandise trade between the OEEC member countries appeared, came into force simultaneously with the signing of the EPU Agreement in September. This was a code of behaviour prescribing principles of equal treatment on liberalised as well as non-liberalised trade and the exceptions to the rules; those countries with difficult economic and financial situations were exempted from immediate implementation of the 60 per cent liberalisation, and not obliged to take all of the measures for the liberalisation of trade

⁶⁵. Agreement for the Establishment of a European Payments Union (with Annexes and Protocol of Provisional Application), London [HMSO] 1950 (henceforth, referred to as HMSO, Cmd. 8064). The terms of the EPU were agreed by the OEEC Council on 18 August 1950, and the agreement establishing EPU was signed on 19 September 1950. Until very recently, the EPU received little attention; i.e., Diebold, op. cit., pp. 87-149, who, due to the early date of his book, did not consider the interesting evolution of the EPU after its first year; Triffin, op. cit., pp. 161-208; and Rees, op. cit., pp. 89 ff. The most complete and detailed account of the origins and internal mechanism of EPU is Jacob J. Kaplan and Günter Schleiminger: The European Payments Union. Financial Diplomacy in the 1950s, Oxford [Clarendon Press] 1989. For a brief discussion of the EPU's initial problems see Sally Dore: "The European Payments Union", EUI Colloquium Papers, DOC IUE 144/89 (Col. 19), Florence, to be published in Griffiths (ed.): 1992 and the Heritage of History (forthcoming).

⁶⁶. See Milward, Reconstruction, chapter X. I believe he will develop this argument in his forthcoming book on the European National States and European Integration during the 1950s.

(Turkey, Iceland, and Austria until December 1953, Greece for the entire period covered here). The Code urged the OEEC members to remove quantitative restrictions on private trade on the 1948 basis "as fully as their economic and financial position will permit".⁶⁷ The transferability of European currencies provided by the EPU diminished substantially the pressure to discriminate against any specific European partner for payments reasons. Therefore, in October 1950, the OEEC Council agreed to raise the liberalisation percentage to 75 per cent of all non-governmental imports from participants regardless the categories by February 1951. By December 31, 1951, the measures were to be applied without discrimination in respect of non-liberalised commodities originating in other OEEC country.⁶⁸

5.3.2. An Obstacle to Spain's Export Trade?

In order to understand the significance of this section, it seems important to acquaint the reader with Spain's balance-of-payments situation with regard to the OEEC area when the trade liberalisation programme was in operation. In 1949, the OEEC countries and their dependent overseas territories accounted for 45 per cent of Spanish imports (equivalent to a total value of \$167.2 million) and 69 per cent of Spanish exports (\$199.8 million). Spain had a trade surplus with the OEEC countries and a trade deficit with the OEEC countries' dependent overseas territories, but showed a surplus of roughly \$33 million with the group as a whole. It represented Spain's only major trading surplus with any area, which could partially compensate for the overall deficit with the rest of the world (\$64.6 million). Spain's largest adverse balances were with South America (\$92 million) and the United States and Canada (\$18 million). Among the OEEC countries, Spain had a large trading surplus with the United Kingdom, Germany, and France. In the

⁶⁷. MAE, Leg. 7122, exp. 1: "Código de Liberalización de 18 de Agosto de 1950", Art. 1. As a "code of behaviour" this document was subsequently altered several times.

⁶⁸. For a detailed account of the OEEC trade liberalisation mechanisms until November 1954, in particular the "Code of Liberalisation of Trade", see Frederic Boyer and J.P. Sallé: "The Liberalization of Intra-European Trade in the Framework of OEEC", International Monetary Fund. Staff Papers, vol. 4, no. 2, February 1955, pp. 179-216. For a chronology of OEEC-related events see European Yearbook, vol. 1, cit., pp. 215-30.

latter case, Spain's deficit with French overseas territories canceled out the surplus with metropolitan France.⁶⁹

Initially, the official position adopted by the Spanish Government regarding the OEEC was a combination of resignation for the dollars not received, a declared lack of interest, and an affirmation of political independence. What could be considered a normal pattern of public behaviour by an ostracised country came, on this occasion, with authentic relief: "Spain could not logically adhere by now to these systems implying more liberty".⁷⁰ Notwithstanding this, the Spanish Administration watched with great concern the removal of quantitative restrictions on trade among OEEC countries.

First, as a matter of principle, it was necessary to watch the negative implications of any external event affecting major export markets and suppliers. Second, in this specific case, Spain's non-participation in European trade liberalisation would render it even more difficult to maintain the already unsatisfactory level of exports, which was of an extreme importance for the nation's economic development and political stability. Finally, it was worthless to hide a reality: some countries proposed that the Spanish authorities suppressed lists and gave greater freedom to bilateral trade.⁷¹ The Spanish position was that any decision to free a given commodity from controls was to remain necessarily on the bilateral level and not be extended to all partners. Nevertheless, the Spanish economic authorities learned immediately that bilateral negotiations with Spain's main Western European partners were intrinsically linked with the on-going process of trade liberalisation.

At the time of the renewal of the June 1948 trade agreement with Spain, the British authorities suppressed IIL's for a long list of products, extending OGL's to the bulk of agricultural commodities subject to bilateral trade (including tomatoes, oranges,

⁶⁹. AHBE, IEME, box no. 163: IEME's general balance of payments for 1949.

⁷⁰. MAE, Leg. 6285, exp. 2, carp. 3: The Director-General of Economic Policy at the Ministry of Foreign Affairs, Mariano Yturralde y Orbegoso, to Suárez, "Informe solicitando normas de tipo general en materia de negociación para los próximos acuerdos comerciales", Madrid, 9 March 1950.

⁷¹. Ibid., Yturralde to Suárez, Madrid, 15 April 1950.

sherry, table wines, oils, and dried fruits). By May 1950, the British declared that "all the items which we import from Spain are on OGL's" (except sardines, tunny, bananas, and raisins).⁷² The Spanish Attaché of Foreign Economy interpreted this as a "result of the trade liberalisation policy undertaken by the United Kingdom together with the rest of the OEEC member states".⁷³ The effects of this important measure of liberalisation were visible in the increase in agricultural exports taking place in the 1950-51 exporting season (see tables 5.7 and 5.8).

Encouraged by the British liberal attitude, the Spanish tried to obtain similar treatment from France, the second largest consumer of Spain's agricultural produce. The French Government had already answered to the difficulties in Franco-Spanish bilateral trade by increasing imports of citrus fruit to allow the Spanish to import French motor vehicles and railway material.⁷⁴ However, it was impossible to obtain from the French any formal compromise to treat Spain as an OEEC country. There is hardly any record of Spanish-French bilateral trade meetings that did not include a request from the Spanish delegation for a more favourable import-licencing treatment. In France, contrary to the United Kingdom, there was strong domestic opposition to the liberalisation of imports from Spain. French continental and North African territories produced a range of products which competed directly with Spanish exports, especially fruit. Their natural response to the seasonal nature of supply and price markets was the establishment of a highly sophisticated system of protection, the so-called *calendriers*, which constituted the first target of the Spanish negotiation team, since it was very prejudicial to exports of fresh fruits and vegetables.⁷⁵

⁷². PRO, FO 371/89547: "Minutes on Anglo-Spanish Trade Negotiations", cit., London, 8 May 1950; and PRO, FO 371/89548: "Agreed Minute of Discussions between the United Kingdom and Spanish Delegations held in Madrid in June 1950" and joint press statement of 23th, at the end of the Anglo-Spanish bilateral negotiations.

⁷³. "Relaciones Comerciales de España con el Reino Unido", *ICE*, no. 209, January 1951, pp. 35-38.

⁷⁴. AD, Z/EE vol. 96: Note by the Directorate of Economic and Financial Affairs, "Commission mixte franco-espagnole", Paris, 13 October 1949.

⁷⁵. MAE, Leg. 4228, exp. 10: Report to Suárez, "Comisión Mixta hispano-francesa celebrada en París del 15 al 23 de Marzo de 1950", Madrid, 15 April 1950.

Calendriers consisted of an import timetable which took into account the timing of domestic and North African fruit production. Since countries entered international trade to meet requirements at different times of the season, they stopped imports when domestic harvests reached the market. This seasonal protection took the form of either seasonal modifications in tariff levels, quota volume and licencing, or the halt of imports when the domestic authorities perceived possible damage for the market conditions of domestic crops. The latter implied an immediate and unilateral action to stop imports of a given commodity when the minimum price was reached or the domestic crop harvested. The former could be perfectly spelled out in bilateral trade agreements using the hypothetical timing of local crops. Since the estimates were done much in advance, they took account of similar conditions of supply and demand within the importing country in the previous years, but not those of the actual campaign. If there was no exact coincidence between the *calendrier's* dates and the offspring of domestic production, there could either be a massive supply shortage or massive importation at the end of the fixed dates, with consequent price distortions. Pressure from French and North African agricultural organisations made it tremendously difficult, thus, to increase imports from Spain.

It is not surprising that under these circumstances, the Spanish commercial authorities expected that the OEEC discipline would break up the pressure from French agricultural organisations, thus opening the market to Spain, among others. As a matter of fact, import liberalisation was perceived by the French organised farming community as a threat to its bargaining position vis-à-vis industrialists and as a direct threat to their mechanisms for domestic protection.⁷⁶ For the Spanish Government, the OEEC could help Spain indirectly in those cases, such as France, where Spain's bargaining power was nil due to the strength of agricultural pressure groups.

The French industry was aware that the Spanish capacity to import capital goods was subordinated to the French volume of imports from Spain. In this way the Spanish earned the necessary amount of francs to import essentials from France. Due to the pressure exercised by some sectors of the French industry during the negotiations for

⁷⁶. Griffiths and Guirao, op. cit.

bilateral trade and payments agreement of October 1950, the French delegation agreed to extend to Spain the liberalisation measures implemented by France in the framework of the OEEC.⁷⁷ The agreement signed for the period November 1951 to October 1952 represented an increase of 50 per cent in the value of the trade flows between the two countries from the previous agreement; oranges accounted for 53 per cent of Spain's exports to France. As a counterpart, Spain had to spend a fixed quota of its earnings in francs to purchase manufactured commodities classified under a special list. It contained agricultural machinery, medical instruments, automobiles, trucks, trolley-buses, railway wagons, equipment for railway-trucks and other material for railways, and, finally, books.⁷⁸ In real terms, however, *calendriers* stood in the way of the promise to extend liberalisation, especially for fruits and early crops.

Trade with Germany was still recovering when the OEEC liberalisation programme was being elaborated. The Spanish authorities had expected that the transfer of trade negotiations from the occupying military authorities to new agencies after the birth of the Federal Republic would lead automatically to a proper trade agreement. However, the administrative complexity involved in setting up the Federal Government after September 1949 caused the last quarter of the year to elapse before the list of commodities to be included in the following year's agreement were decided. Despite the existence of the Federal Government, the exhaustion of most quotas led to negotiating an additional agreement with the Allied High Commission. It was signed in November 1949. Negotiations for a proper bilateral trade agreement took place in March, and further administrative difficulties postponed the signature of the agreement until 19 June 1950. The German import list of commodities amounted to \$43 million whereas the Spanish list totaled \$48 million. In spite of the efforts made to make the two lists even, it was not possible to do so because the Germans advanced a number of insuperable objections to fixing quotas of a certain extent for such products as have always constituted the chief percentage of Spanish exports. French and Italian agricultural exports obtained preference

⁷⁷. MAE, Leg. 6285, exp. 2, carp. 1: "Informe para el Señor Ministro sobre negociaciones comerciales", by the Director-General of Economic Policy, Annex no. 2, Madrid, 9 November 1950.

⁷⁸. AD, Z/EE, vol. 96: Direction des Affaires économiques et financières, "S. Relations économiques franco-espagnoles", Paris, 18 February 1952.

in the restricted and high-priced German market. To give but one example during the 1949-51 seasons, while orange exports from Argelia and Morocco could be imported freely as the export season started, Spanish oranges did not receive a quota until January.⁷⁹ As the Spanish Commercial Attaché in Bonn expressed it, "the so-called liberalization policy of the German Government [...] has operated against Spanish exports, which have been treated in, to our way of thinking, an unjust way".⁸⁰

During the first six months of 1950, Spanish exporters operated within the 1949 small quota allocations. The interpretation given by the Germans was that the new agreement could not begin operating until it had been definitively signed. By contrast, the Spanish authorities, with a pent-up absorption capacity for German products, authorised imports to the maximum swing allowed (\$5 million), which caused the radical alteration of the position regarding reciprocal payments during the following months. From a balance of approximately \$2 million in favor of Spain at the end of February 1950, an unfavorable \$5 million deficit was reached in September.⁸¹

The initial measures of trade liberalisation implied a deterioration in Spain's balance of payments with the EPU monetary area (see table 5.4). Earnings in all the currencies mentioned except Belgian francs, Danish kroner, and, significantly, in dollars from trade with Western Germany, decreased. Export earnings in these currencies decreased from 80 per cent to 68 per cent over total export earnings. Expenditures in all these currencies decreased except in the case of the Belgian franc, escudo, and, again most significantly, dollar payments to Germany. The result was to pass from a surplus in balance of payments with the EPU area of approximately \$7.9 million in 1949, to a \$15.4 million deficit in 1950; from a trade balance surplus of \$14.3 million to a deficit of \$6.6 million.

⁷⁹. MAE, Leg. 5919, exp. 1: Despatch no. 11/51 from Jaime Alba Delibes, Counsellor of Foreign Economy at the Spanish Embassy in London, to Suárez, "La Unión Europea de Pagos y España", 17 January 1951, attached no. 1 to the despatch no. 86 from the Spanish Embassy of 23 January 1951.

⁸⁰. "Commercial Post-War Relations between Spain and Germany", cit., pp. 85-86.

⁸¹. Ibid.

TABLE 5.4

SPAIN'S BALANCE OF PAYMENTS WITH THE OEEC MONETARY AREAS IN 1949 AND 1950
(in pesetas)

	CREDITS		DEBITS	
	1949	1950	1949	1950
TOTAL	4,680,157,700*	3,602,841,587	4,529,789,630*	3,969,844,129
TRADE BALANCE	2,974,486,591	2,909,877,364	3,681,538,512	3,228,194,662
Pound Sterling	1,302,658,159	1,022,965,152	1,172,836,986	1,095,740,480
French franc	485,971,217	402,289,028	539,142,228	412,610,366
Belgian franc	129,204,522	130,546,384	131,691,951	144,343,089
Swiss franc	167,310,883	109,298,993	157,272,583	99,416,003
Dutch guilder	170,650,490	122,592,376	170,373,346	143,072,202
Swedish kroner	134,820,306	124,647,944	131,316,504	127,805,438
Danish kroner	90,262,170	132,973,100	95,222,066	91,557,722
Norwegian kroner	60,920,759	49,853,940	57,098,800	48,164,413
Lira	58,205,594	3,965,731	76,295,549	11,620,522
Escudo	38,733,641	36,005,477	31,264,588	35,774,114
Dollar Germany	87,533,238	124,610,168	75,836,863	218,812,218
Dollar Italy	595,339	—	4,241,953	—
TOTAL OEEC	2,725,026,031	2,259,748,293	2,638,575,622	2,428,916,567
as % of General Total	58.2	62.7	58.2	61.2
TRADE BALANCE in all				
curr. mentioned	2,384,287,785	1,970,589,954	2,227,628,554	2,043,340,733
as % of				
total trade balance	80.2	67.7	60.5	63.3

Source: AHBE, IEME, box no. 163 and 164: IEME's general balance of payments for 1949 and 1950. (*) Pts 1,037,063,504 of which were credits granted by Argentina, U.S. and Swiss private banks; (®) Pts 147,960,331 of which were credits granted by U.S. and Swiss banks.

Fortunately for Spain, although the liberalisation percentages fixed by the OEEC Council increased progressively (50 per cent in December 1949, 60 per cent in September 1950, and 75 per cent in February 1951), trade liberalisation was reversible because countries facing balance-of-payments difficulties and other serious economic disturbances were allowed to suspend ("temporarily") the application of the liberalisation measures. When the deadline of February 1951 appeared, the process of liberalisation stagnated and was soon followed by widespread deliberalisation under the deterioration of balance of payments produced by stockpiling and price increases following the outbreak of war in Korea. The balance-of-payments difficulties, which the Code itself considered a reason for suspending liberalisation measures, became the scape clause to avoid any radical removal of non-tariff restrictions. Major importers in Europe invoked the Code and re-established import licences for OEEC exports: Germany in February 1951, the United Kingdom after November 1951, and France after February 1952. The retreat towards

protectionism was particularly disturbing in the German case because it was only in 1951 that Germany's total exports to the OEEC countries surpassed their prewar level causing increasing payments difficulties to its European partners. By the end of 1951, import restrictions in the FRG ended and the country reached a liberalisation percentage of 60 per cent. In April 1952 it met the 75 per cent required by the Liberalisation Code.

TABLE 5.5

GERMANY'S TOTAL AND AGRICULTURAL IMPORTS FROM ITALY AND SPAIN, 1950-1952
(in millions of Deutsche Marks)

TOTAL TRADE							
YEAR	1950 ^a	1951 ^b	1952 ^c	1953 ^d	^b / _a	^c / _a	^d / _a
ITALY	507	549	643	743	108.2	117.1	115.6
SPAIN	48	145	229	319	305.6	157.7	139.3
TOTAL AGRICULTURAL TRADE							
ITALY	268	273	354	422	101.8	129.7	119.3
SPAIN	17	65	126	209	372.2	192.9	166.8

Source: Der Außenhandel des Vereinigten Wirtschaftsgebietes im Jahre 1949, Der Spezialhandel nach waren (Statistische Nummern) and Der Außenhandel der Bundesrepublik Deutschland, 1950 onwards.

Spanish exports to the German market increased in 1951 because Spanish trade was insulated from the increasing German difficulties within the EPU. The German case shows how bilateralism worked, especially during a period of import restrictions. The desire to expand German exports to Spain required the importation to produce the necessary earnings, which, incremented with short-term credits, could pay for the value of German exports to Spain. Exports and imports were interlinked tightly. In 1951, the reciprocal credit swing was increased from 63 million (\$15 million) to 84 millions (\$20 million) of Deutsche Marks. This was not due to the need to cover a temporary debit in the trade balance, but primarily to extend an additional unilateral loan to Spain.⁸² At the same time, Germany's structural tendency to move towards an export surplus in trade with Spain induced the German economic authorities to grant "substantial liberalisation, particularly for the import of citrus fruit".⁸³ This early German interest in treating Spanish agricultural export trade liberally was intended to improve Spain's export

⁸². Trued and Mikesell, op. cit., p. 40.

⁸³. Ludwig Erhard (Minister for Economics in the German Federal Republic): Germany's comeback in the world market, New York [MacMillan] 1954, p. 132.

performance. The capacity of the Spanish market depended on this to absorb larger quantities of goods from Germany. The dynamic pattern of Spain's export trade toward Germany (compared to Italy's) after 1951, might have been linked to an official policy designed to encourage imports from Spain in order to attain overall trade increases without altering substantially the credit swing originally established. After 1951, the Federal Republic of Germany completely liberalised a long list of Spanish agricultural export commodities, including citrus fruit, while the 1951/1952 bilateral trade agreement lasted in accordance with the liberalisation lists presented to the OEEC Council.⁶⁴ This represented unilateral liberalisation towards Spain, because the latter did not adopt any import liberalisation measures in return.

Spain could not import most of the agreed amounts of the different commodities, and some of them at all, in spite of the fact that it had consumed the total amount of the credit; Germany suspended the agreement. The reduction of Spanish imports from the Federal Republic was due to the delays of fruits and vegetables exporters to Germany in returning the foreign currency earnings to the IEME and other financial operations during the last months of 1952. The acquisition of Brazilian cotton was part of the financial difficulties. Brazil owed many millions of Deutsche Marks to German manufacturers for heavy machinery, while Spain was in the market for large surplus of Brazilian cotton for which no other market had been found. With no sterling to pay the cotton, following a tripartite agreement authorised by the German Government in October 1952, Spain got the cotton and paid up to \$12 millions in Deutsche Marks for it directly to the German manufacturers of the heavy machinery earlier delivered to Brazil. Those suffering from the deal were the German manufacturers of goods traditionally exported to Spain since the money Spain would have ordinarily used to finance such exports was diverted to other

⁶⁴. Germany had completely liberalised the following Spanish agricultural export commodities: dried fruits, saffron, olives, apricots' pips, dried salt sausages, lemons, grapefruits, hazel-nuts, almonds and other dried fruits, bananas, oranges and mandarins, cacao, semi-prepared rice. Germany had only partially liberalised the following commodities: citrus fruits' peels, fruit pulp, mashed potatoes, canned tomatoes, ground pepper and canned capsicum, capers, canned fish, olive oil, canned artichokes, green beans, mushrooms, and truffles; MAE, Leg. 3238, exp. 6: Yturralde, acting as president of the trade delegation, to the Minister of Commerce, Manuel Arburúa de la Miyar, "Propuesta de instrucción para las negociaciones comerciales hispano-alemanas, al objeto de renovar el acuerdo comercial", 20 September 1952.

manufacturers in Germany.⁸⁵

In mid-October 1952, at the negotiations for a renewal of the trade agreement, the Spanish asked for an extension of all the liberalised lists submitted to the OEEC since January 1952. Again, the Federal Government partially acceded by extending to Spain the liberalisation in agricultural products that Germany had conceded to OEEC member states. Spain was allowed to export a range of products which included the most important commodity items in bilateral trade and most of the products partially liberalised already, without the need for import licences and with no limit other than the demand capacity of the German market. The commodity list gathered twenty-nine products including oranges, mandarins, lemons, grapefruit, nuts, bananas, olives, fruit flesh, mashed and canned tomatoes. There were still quotas on the importation of those commodities competing directly with domestic production (i.e., wines, fresh tomatoes, potatoes, table grapes, cacao, concentrated citrus fruit juice, canned peppers, seeds, plants, tuna, canned beans and mushrooms, spirits, brandy, onions, lettuce, flowers, apricots, strawberries, cherries, plums, melons, and rye). Whenever Spanish products competed with domestic production, temporal prohibitions were raised, but these, in general, affected all exporters -OEEC members included- of a given product (except grapes which were totally liberalised for OEEC countries). The report presented to the Spanish Council of Ministers on the negotiations stated that the extension of liberalisation benefits to Spain was an "important concession" from the Federal Government.⁸⁶

Although the Germans had extended OEEC liberalisation measures to most of the

⁸⁵. This operation was used by the Spanish Ambassador in London as a case of straight convertibility of the Deutsche Mark, against the British authorities who were thought to deplore the fact that Spain spent part of her sterling outside the United Kingdom; PRO, FO 371/107698: Letter by F.H. Whitaker, Board of Trade, to Cotton, giving an account of the Spanish Ambassador's address at the annual meeting of the Spanish Chamber of Commerce.

⁸⁶. APG, JE, sources from the Ministry of Foreign Affairs, Leg. 14, no. 8.5, (519): General-Directorate of Economic Policy at the Spanish Ministry of Foreign Affairs, "Nota sobre los convenios comercial y de pagos entre España y Alemania firmados en la mañana de hoy", Madrid, 14 October 1952. Two other improvements marked the October 1952 payments agreement: the possibility for private banks to hold individual accounts from the IEME and that countability was no longer in dollars, which freed bilateral trade from the constrain imposed by Spain's chronic dollar shortages.

Spanish agricultural exports, increased export quotas for non-liberalised goods, included new products in the quota list, and increased the swing to \$20 million at the time of the trade agreement of October 1952 in order to assist Spain on its debtor position, the expansion of reciprocal trade did not result as it was expected. Spain had limited the purchasing to what the Spanish authorities considered essentials (materials for the coal and steel industry). Although creditor countries were anxious not to curtail exports or to bring pressure on Spain to balance trade in a downward direction, they were forced to put an end to bilateral trade when the amount on non-transferable pesetas had been excessively accumulated in the German clearings accounts. The Spanish formula to increase bilateral trade was the automatic extension of liberalisation to Spanish trade and an increase of the financial swing, which altogether would increase Spain's payment capacity.⁴⁷ The Germans thought of a working arrangement with EPU, although they never specified how to do it without joining the OEEC. Spanish EPU membership would have fulfilled the Germans's desire to import from Spain regardless of Spanish exports to Germany and the state of the Spanish reserves.⁴⁸ The impossibility to apply to Spain the benefits of the EPU mechanism, and inasmuch as free dollar settlements were not forthcoming, forced to reduce the German commercial discrimination against Spanish exports via the unilateral extension of the OEEC liberalisation measures.

At the end of March 1953, the liberalisation percentage in relation to goods imported from OEEC countries increased to 90 per cent. Accordingly, the instructions to the Spanish delegation to the bilateral trade talks to be held immediately included the demand to extend to Spanish exports the current OEEC liberalisation measures "since the

⁴⁷. The Spanish Minister of Agriculture, Rafael Cavestany y Anduaga, to his German partner, cit. in MAE, Leg. 4613, exp. 1: Jaime Argüelles Armada, Spanish Under-Secretary of Foreign Economy and Commerce after July 1952, to Artajo on the increase of Spanish exports, Madrid, 31 July 1954.

⁴⁸. MAE, Leg. 5915, exp. 1: Telegram from the Attaché of Foreign Economy at the Spanish Embassy in Bonn, Carlos Gamir, to Argüelles, 9 February 1953, informing that the German Director-General of Foreign Trade von Maltzan and the President of the EPU Hans Karl von Mangoldt offered their collaboration to initiate a Spanish move towards EPU, if there was a proposal coming from Madrid. The advisers to the German Director-General of Foreign Trade adopted 1950 as the base year which resulted in an EPU quota for Spain of \$64.5 million; Spain would have to pay off 40 per cent in gold and/or dollars, i.e., \$13.2 million, receiving credits for 60 per cent of the quota value, i.e., \$19.8 million; MAE, Leg. 3238, exp. 5: Despatch no. 105, Gamir to Argüelles, "Propuesta alemana de acercamiento de España a la Unión Europea de Pagos", Bonn, 18 February 1953.

one [...] applying to Spain [was] a little more restrictive".⁸⁹ Half a year later, as a result of an increased bargaining power that Spain acquired through its participation at the European conference of ministers of agriculture, the Spanish trade negotiators asked the Germans to extend to them trade liberalisation measures in terms similar to the OEEC members and to increase the quotas on products not subject to liberalisation.⁹⁰ An increase in the list of liberalised products for Spain was difficult to produce in clear-cut terms, for obvious political reasons. Nevertheless, Spain obtained immediate increases in the quotas of juices and concentrates of citrus fruit, table grapes, melons, and artichokes from the level set by the trade agreement then in force. By these means, by 1953, Western Germany became the first supplier to the Spanish economy (11.6 per cent of total imports) and the second largest (after the United Kingdom) consumer of Spanish exports (13 per cent of total exports).⁹¹ The excitement was so high that the Spanish Minister of Agriculture suggested the formation of a Bonn-Madrid axis!⁹²

This liberal treatment changed, temporarily, in 1954, showing the Spanish that reverses in trade liberalisation also affected them. In February 1954, Germany published a liberalised list covering 92 per cent of its private trade with OEEC countries on the base year 1949 which did not automatically extend to Spain. On the new liberalised list not extended to Spain, there were some products for which Spain had no possibility or willingness to increase exports (i.e., cacao, wolfram, mercury, rosin, turpentine, colonial woods, glassware, tiles, sewing machines, and imitation jewellery). On the contrary, other products under specific quota restrictions were of great interest to Spanish exporters: citrus juices and concentrates, canned tunny, olives and capers, cognac, spirits, garlic, table

⁸⁹. MAE, Leg. 3238, exp. 4: The President of the Spanish trade delegation to Germany to the Minister of Commerce, Manuel Arburúa, Instructions to the mixed Spanish-German Commission, Madrid, March 1953.

⁹⁰. Ibid., "Réplica enviada por la Cámara Oficial de España en Alemania a la Handelsblatt de Dusseldorf", 7 October 1953, Annex 1 to despatch no. 549 from the Commercial Office of Spain in Bonn, 7 October 1953.

⁹¹. See tables 1 and 2 on p. 3.

⁹². Antonio Marquina Barrio: "La primera aproximación a las comunidades europeas", in Jean-Pierre Étienne and José Ramón Urquijo Goitia: España, Francia y la Comunidad Europea. Actas del segundo Coloquio hispano-francés de historia contemporánea celebrado en Aix-en-Provence los días 16, 17 y 18 de junio de 1986, Madrid [Centro Superior de Investigaciones Científicas/Casa de Velázquez] 1989, pp. 135-43, p. 138.

grapes, melons, plywood, cork, tops and various types of cork manufactured items.⁹³ In August 1954, Germany made extensive trade liberalisation concessions and, after April 1955, it finally included wine and citrus fruit.⁹⁴ The result of the liberal attitude of the German Government towards Spain's agricultural export trade was a spectacular increase in Spanish exports to the Federal Republic from 1949 to 1956. In that period, the value of exports to Germany multiplied 9 times and agricultural exports 9.8 times in the case of Spain, while German imports from Italy three-fold and agricultural imports multiplied by 4.3.⁹⁵

Trade restrictions were also imposed by the Conservative Government under Prime Minister Winston Churchill in November 1951 on the grounds of balance-of-payments difficulties. After only ten days in office, the Chancellor of the Exchequer announced in the House of Commons wholesale emergency actions to reduce imports, taking effect from November 8th.⁹⁶ The measures adopted in November 1951 and March 1952 were directed in particular against the EPU liberalised trade. As a result of these restrictions the liberalisation percentage dropped from 90 per cent of the United Kingdom's 1948 private trade with OEEC in November 1951, to 61 per cent in December, and to 44 per cent a year later. Minister Arburúa presented import restrictions

⁹³. MAE, Leg. 5915, exp. 1: Gamir to Argüelles, despatch no. 109, "Aumento de la liberalización para importar productos de los países de la OECE. Comparación de ella con la concedida a España", Bonn, 26 February 1954; and despatch no. 132, "Liberalización para importar ciertos productos de los países del área del dólar. Comparación de ella con la concedida a España", Bonn, 10 March 1954.

⁹⁴. AGA, C/36622, folder no. 2: OECE, C/WP11/W(56)26, Working Party no. 11 of the Council, "Association de l'Espagne aux Travaux de l'Organisation. Difficultés rencontrées par les exportations espagnoles sur les marchés européens", as provided by the OEEC Spanish Delegation, Paris, 23 June 1956.

⁹⁵. Data elaborated from Der Außenhandel des Vereinigten Wirtschaftsgebietes im Jahre 1949. Der Spezialhandel nach Waren (Statistische Nummern) and Foreign Trade of the Federal Republic of Germany and Berlin (West). Part 5, Special Trade according to the Standard International Trade Classification (STIC) and by Countries of Production and Consumption December and Year 1956. I would like to thank Inze Alkema for his collaboration concerning the localisation of this statistical material.

⁹⁶. 493 H.C. DEB. 5.s., 7 November 1951, p. 198. For British import restrictions, see contributions to George David Norman Worswick and Peter Honorine Ady: The British Economy in the Nineteen-Fifties, Oxford [Clarendon Press] 1962; M.F.W. Hemming, C.M. Miles and G.F. Ray: "A Statistical Summary of the Extent of Import Control in the United Kingdom since the War", The Review of Economic Studies, vol. 26, nos. 69-71, 1958-59, pp. 75-109; and William M. Corden: "The control of imports: A Case Study. The United Kingdom Import Restrictions of 1951-2", Journal of the Manchester School, vol. 26, no. 3, September 1958.

as proof of the failure, inefficiency, and bad service given to dollar assistance whose main political objective was to promote trade not to restrict it.⁹⁷ His implication was that, had Spain received dollar aid, it would have used it better.

TABLE 5.6

COMPARISON OF QUOTAS AND IMPORTS FROM THE RELAXATION AREA
OF THE ITEMS AFFECTED BY THE NOVEMBER 1951 AND MARCH 1952 CUTS (←→)
(in '000 Sterling, c.i.f.)

	Imp.' 51 (A)	Quo.' 52 (B)	Imp.' 52 (C)	B% A	C% A
FOOD					
Biscuits (1) #	14 305	2 040	10 602	14.26	74.11
Fondant (2) #	8 257	800	2 657	9.69	32.18
Cocoa products #	2 241	732	1 675	32.66	74.74
Preserved fruit & veg. #	2 715	1 077	1 703	39.67	62.73
Tomato (3) #	23 851	10 415	13 720	43.67	57.52
Canned meat #	57 924	26 723	29 198	46.13	50.41
Nuts & natural oils #	15 471	6 350	6 590	41.04	42.60
Sugar fat mixtures #	8 546	2 570	3 609	30.07	42.23
Fresh fruit #	15 948	4 791	3 090	30.04	19.37
Un-rationed Cheese *	8 868	4 500	9 666	50.74	109.00
Other foods	6 738	3 095	4 683	45.93	69.50
Total food	164 864	63 093	87 193	38.27	52.89
NON-FOOD					
Carpets #	7 522	2 345	907	31.17	12.06
Apparel & dressed furs #	5 350	2 413	5 026	45.10	93.94
Office machinery #	1 456	480	672	32.97	46.15
Sport & leather goods #	1 828	920	840	50.33	45.95
Imitation Jewellery #	1 770	775	1 252	43.78	70.73
Furniture & glassware #	4 014	1 510	2 305	37.62	57.42
Paper doods & Stationery#	4 012	1 720	1 369	42.87	34.12
Textile Yarns (4) *	73 150	12 566	40 846	17.18	55.84
Matches *	1 384	685	1 180	49.49	85.26
Building mat. & glass*	1 849	845	1 376	45.70	74.42
Other manufactures	4 319	1 572	2 206	36.40	51.08
Rape seed & oil *	1 223	810	2 106	66.23	172.20
Total non-food	107 877	26 641	60 085	24.70	55.70
TOTAL	272 741	89 734	147 278	32.90	54.00

Source: Values of quotas and import values of restricted items compiled from basic figures supplied by William M. Corden: "The control of imports: A Case Study. The United Kingdom Import Restrictions of 1951-2", Journal of the Manchester School, vol. 26, no. 3, September 1958, p. 190. Original values of quotas from Board of Trade Journal, 24 November 1951, p. 1070; 19 April 1952, p. 787; and 31 May 1952, p. 1092. (←→) Excluding items for which no comparable import figures are available. (#) Items affected by November 1951 cuts. (*) Items affected by March 1952 cuts. (1) Biscuits, chocolate confectionery and coverture, raw cocoa; no quotas published for these items for the second half of 1952. (2) Fondant and cake mixtures; no quotas published for these items for the first half of 1952. (3) Tomato and fruit juice, pulp and purée and vegetables in brine; quotas for these items were issued for 12 months to June 1953; import figures are therefore given for the same period. (4) Textile yarns, piece-goods and manufactures.

⁹⁷. Arburúa: Cinco años al frente del Ministerio de Comercio (Discursos y Declaraciones: 1951-1956), Madrid [Imprenta Nacional] 1956, speech to Cortes on 18 December 1951, p. 55.

Table 5.6 presents the severity of the cuts for the different commodities. The measures put forward to face the balance of payments problem were planned to restrict imports on a larger scale than that which actually took place. The quotas announced would have reduced imports to 38 per cent of the equivalent 1951 imports, but, in fact, total imports in 1952 amounted to 54 per cent of the 1951 import level of the items under restriction. The strategic stockpiling programme instituted by Labourites had slowed down, but reduction in the import of raw materials was not very great. On average, import restrictions were thought to affect more strongly non-foodstuffs than foodstuffs, but the effect was more strongly felt in the latter group. The commercial performance during 1952 was disastrous for fresh fruit, imports of which dropped to a level of 19.4 per cent of the 1951 level. Without this category, total 1952 private imports of the restricted food items from all sources would have amounted to 56.5 per cent of food imports of the same items in 1951.

Spain tried unsuccessfully to avoid the British restrictions, arguing that trade with Spain would not involve the United Kingdom in any loss of either dollars or gold. The Spanish economic authorities urged the British authorities to encourage rather than restrict imports from Spain, since they had not contributed to the difficulties in the second half of the year which had forced the extensive trade controls. Furthermore, the Spaniards believe that the British Conservative Government's announcement soon after assuming office in November 1951, that its policy towards Spain was to maintain correct and, hopefully, friendly relations, should now be maintained. Again, during the trade talks held in Madrid in December 1952 the Spaniards had a new opportunity to point this out, after the renewal of dispositions for import restriction was adopted in March 1952.⁹⁸ Despite the unsuccessful results of the Spanish demands, Spain came out of the experience more advantageously than the average (see table 5.7).

The Spanish behaviour in relation to import restrictions in the British market differed from the general pattern, with respect to both the importance and distribution of the effects. On the one hand, while the value of British imports of restricted items from

⁹⁸. PRO, FO 371/102036: Agreed minutes of discussions between Spanish and the United Kingdom delegations held in Madrid in December 1952.

Spain in 1952 was 80.57 per cent of the value of these same items in 1951, in the general pattern the relation was less favourable: 54 per cent on average of the 1951 level.

TABLE 5.7
BRITISH IMPORTS FROM SPAIN, 1950-1953
(in sterling)

YEAR	1950 (a)	1951 (b)	1952 (c)	1953 (d)	c%b	d%b
TOTAL	33,753,685	50,712,714	41,243,761	36,431,568	81.3	71.8
Class I	25,106,390	34,948,007	29,805,243	28,316,571	85.3	81.0
Fruit	10,765,012	17,742,104	13,308,382	13,258,457	75.0	74.7
Bananas	545,696	1,449,899	1,313,780	879,159		
Grapes	1,368,266	1,295,577	697,990	1,101,439		
Oranges	4,848,730	8,845,268	7,996,269	7,505,449		
Almonds	1,552,008	2,182,464	993,172	949,363		
D&P fruit#	857,851	1,625,176	866,815	713,542		
Nuts+	297,980	414,287	49,701	119,401		
Vegeta.	11,494,632	13,614,880	13,840,006	11,579,879	101.6	85.0
Wine	2,501,274	3,460,109	2,447,963	3,105,153	70.7	89.7
All other	345,472	164,914	208,892	373,082	126.7	226.2
Class II	3,703,450	7,071,316	7,752,992	4,740,400	109.6	67.0
Class III	4,939,599	8,631,635	3,682,494	3,368,517	42.7	39.0
Chemicals	881,508	3,313,469	1,392,119	1,439,260		
Textiles	2,481,718	3,297,782	917,693	214,635		
Clothing	---	104,908	24,252	53,189		
Vehicles	211,546	217,500	274,000	2,943		
Wood/Cork	167,862	1,100,293	670,845	567,090		
Pig Iron	---	---	89,467	637,664		
All other	1,196,965	572,829	190,787	370,781		
Miscellaneous	4,246	27,756	3,032	6,080		

Source: Annual Statement of the Trade of the United Kingdom with the Commonwealth countries and Foreign Countries. Including the Canary Islands. Value of imports, not of articles retained in the United Kingdom; # dried and preserved fruit; + Barcelona and hazel nuts.

Therefore, a first conclusion is that Spain suffered less than the average country from import restrictions. On the other hand, the disparity between foodstuff and non-foodstuff commodities was much more striking in the Spanish case. While, on average, both categories suffered the restrictive effect to a similar extent, in the Spanish case, non-food items (mainly textile manufactures) suffered much more strongly the effects from restrictions. Particularly in March 1952, import restrictions on the non-food sector were directed against the textile sector (deserving 68 per cent of total quotas) in which protectionist interests were at the forefront. In 1953, in spite of restrictions, Spanish food

exporters managed to sell in the British market 86.71 per cent of the value of produce exported in 1951 (with a drop of about £5 millions), while Spain's exports of non-foodstuffs strongly dropped to a value level of 24 per cent that of 1951. In 1952, total British imports of the same items from the liberalised area affected by the November 1951 and March 1952 cuts amounted to an average of 53 per cent and 56 per cent of the 1951 import level in the items under restriction, respectively. Exports of raw materials were normal as it constituted the general pattern.

A further decrease in the level of Spain's exports to the United Kingdom during the period of restriction had been intentionally avoided. British authorities guaranteed import licences for contracted shipments of mandarins and other Spanish products affected by the restrictions which were covered by confirmed credits opened before restrictions were announced. Furthermore, Spanish exports of wine and liquors, citrus fruit, fish, fresh horticultural products, and even tomatoes were still kept under OGL's after the main restrictions of November 1951 and March 1952.⁹⁹ The liberal treatment given by the British to Spanish main export commodities at the time of general restrictions was so obvious that, in December 1952, the Spanish Minister for Foreign Affairs expressed publicly his appreciation.¹⁰⁰

After 1952, the level of Spain's agricultural exports continued to fall for another year, slightly and though considerably less than those of Italy (see table 5.8). Italy's position on the British market suffered more than the general pattern in agricultural trade. The different pattern in relation to Italy happened despite the fact that the OEEC Steering Board for Trade pressed the British to reconsider their quantitative restrictions on imports from OEEC countries and especially from Italy. While maintaining a policy of virtually complete liberalisation, Italy was recognised to be in serious balance of payments

⁹⁹. PRO, FO 371/101997: The "Spain: Annual Report for 1951" reported that import restrictions imposed by the United Kingdom in November "fortunately" did not affect oranges and tomatoes. For March restrictions, see MAE, Leg. 4612, exp. 16: Note by the Under-Secretariat of Foreign Economy and Commerce to Arburúa, "Negociaciones en curso", Madrid, 20 March 1952.

¹⁰⁰. PRO, FO 371/102036: British Embassy to Sir Anthony Eden, foreign secretary after October 1951, Madrid, 17 December 1952.

difficulties, which they attributed largely to the United Kingdom's import restrictions.¹⁰¹

TABLE 5.8

BRITISH TOTAL AND AGRICULTURAL IMPORTS FROM ITALY AND SPAIN, 1949-1953
(in '000 sterling)

YEAR	1949	1950	1951 ^a	1952 ^b	1953 ^c	^b t _a	^c t _a
TOTAL IMPORTS							
Italy	37,466	51,072	83,148	45,481	42,963	54.7	51.7
Spain	18,698	33,754	50,713	41,244	36,432	81.3	71.8
AGRICULTURAL IMPORTS							
Italy	22,198	25,433	31,372	14,990	19,114	47.8	69.3
Spain	26,677	25,106	34,948	29,805	28,317	85.3	81.0

Source: Annual Statement of the Trade of the United Kingdom with the Commonwealth Countries and Foreign Countries. Including the Canary Islands. Value of imports, not of articles retained in the United Kingdom.

Still more interesting is the fact that Spain used bilateral trade to export essentials without fulfilling the import of less essentials that the British were interested in selling because they were generally products with difficulties in other markets. Spain did not fulfil the import of agreed quotas on less essentials. Still it went its own way, obtaining unilateral liberalisation for its exports of fruit and vegetables and maintained the benefit of sterling transferability, which was a particularly important feature in Anglo-Spanish relations. When the British extended to Spain the liberalisation of general licencing, the Spanish complaints about the lack of sterling for the purpose of importing less essentials were temporarily countered. However, the high sterling prices which Spain had to pay for raw materials after June 1950 and British import restrictions after November 1951 added to its difficulties, and made retaliatory policies on this account useless. In 1951, when not even licences for coal were issued, the British decided to provide the Spanish Embassy with duplicates of importers' account sales in order to help the Spanish authorities to increase control over sterling earnings not provided to the IEME.¹⁰²

¹⁰¹. PRO, CAB 134/847: E.A.(53)3 "Bilateral Trade Agreements. Report by a group of senior officials", Annex to "Review of Current Trade Agreements. Northern and Western Europe", Memorandum by the Chancellor of the Exchequer, 12 December 1952; and PRO, FO 371/107701: Board of Trade to J.R. Cotton, British Embassy in Madrid, 10 March 1953. I thank Wendy Asbeek Brusse for providing me the first document.

¹⁰². Control arrangement with Great Britain over the tomato exporters allowed the IEME's to cash around two million pounds more; PRO, BT 11/5037: Spain, Note by H.H. Eggers of the British Treasury, 1 June 1953.

Arburúa explained that British import restrictions on Spanish products had compelled Spain to defer payments for many types of goods and to suspend imports for lack of sterling for others.¹⁰³ On the basis of British trade and navigation accounts, the value of Spanish exports to the United Kingdom declined during 1952 by £9.5 million. When the value of invisibles had been deducted, the final figure for sterling earnings showed a divergence between 1951 and 1952 of £6 million.¹⁰⁴ There was, thus, some justification for Arburúa's contention that British import cuts damaged Spanish sterling earnings to an extent that they had real difficulty in fulfilling their undertakings for less essentials during 1952. Until the end of import restrictions, the British authorities accepted the Spanish premise that they were using sterling to the best advantages in their economic need to overcome part of their very great supply difficulties, and that they had no sterling to spare.¹⁰⁵

In 1953, the problem of less essentials had become the second major objective in trade negotiations with the Spaniards after ensuring an adequate supply of iron ore and pyrites.¹⁰⁶ While the British requested the implementation by the Spanish authorities of the agreed minutes of December 1952 (Spanish imports of less essentials amounting to £6 million grouped into 62 categories), the accumulation of licences issued by the Spanish Ministry of Commerce and waiting for the IEME to make sterling available against the peseta counterparts paid by importers was far greater than at any other comparable time in years.¹⁰⁷ The Spanish import authorities argued difficulties in finding sterling when

¹⁰³. PRO, FO 371/107701: Arburúa to Sir John Balfour, British Ambassador to Spain, Madrid, 18 February 1953.

John Balfour had been (in 1928) the first Secretary at the British Embassy in Madrid; during the 1940s, he was British Chargé d'Affaires in a number of British missions including those in Lisbon, Moscow and Washington; appointed Ambassador to Argentina in 1948, where he coincided for the first time with Stanton Griffis. Eventually presented credentials to Franco on 15 March 1951. For a detailed account of the British debate about the appointment of ambassadors to Spain, see Qasim Ahmad: Britain, Franco Spain, and the Cold War, 1945-1950, New York [Garland Publishing] 1992, pp. 197 ff.

¹⁰⁴. PRO, FO 371/107701: Balfour to BT, Madrid, 24 February 1953.

¹⁰⁵. Ibid.

¹⁰⁶. PRO, CAB 134/847: Memorandum by the Chancellor of the Exchequer, cit., 8 January 1953.

¹⁰⁷. For the first time, the Minister of Commerce and other top economic officials declared openly the impossibility of making sterling available for less-essential goods; PRO, FO 371/107701: Cotton to FO, 12 March 1953.

import trade in essentials from the United Kingdom had increased and it had been only in March 1953 that the British Government gradually began to increase its share of officially liberalised imports. They demanded an increase of British imports from Spain and an increase of the swing credit facilities. The Spanish Ministry of Commerce granted licences to United Kingdom's main competitors in the continent, something that the British did not appreciate:

"We had given Spain transferable account facilities and as favorable trading terms as OEEC countries, but the agreements were not being honored and other countries which had bilateral agreements with Spain had the advantage over us in the sale of less essential goods."¹⁰⁸

In May 1953, the acute shortage of sterling was revealed by the fact that no more than five days of coal supplies were available to the State railway company (RENFE), and that only hurried imports from Belgium and Germany increased stocks to fifteen days of coal supplies.¹⁰⁹ If there was exchange for the purchase of British coal, particularly of high grade, there could be none for less essentials.

The Board of Trade insisted that a drastic action was necessary in order to get the Spaniards to honour their commitments. The Bank of England ruled out sterling transferability sanctions as counter to British-sterling interests and the Treasury opposed granting a loan as part of the credit restriction policy. Thus, the only course of action available was implementing economic sanctions: either cutting off essential supplies of oil and coal, or cutting down imports of fruit -Spain's principal exports to the United Kingdom- by taking them out of the OGL arrangements. When the desirability and practicability of sanctions were discussed, the disparity of interests among the different departments involved prevented the United Kingdom from taking any retaliatory action. Again, as in 1950, the Ministry of Food opposed any discriminatory action against Spanish exports on the grounds of supply and administrative difficulties. A restriction of British imports of oranges and tomatoes would drive up prices in the British domestic market and result in reducing Spain's sterling earnings further. The Ministries of Supply

¹⁰⁸. PRO, BT 11/5037: ON (53) 26th Meeting, 11 June 1953.

¹⁰⁹. PRO, FO 371/107718: British Embassy in Madrid to FO, despatch no. 188(E), 14 July 1953.

and Materials resented risking Spanish retaliatory action against British "still vital" supplies of pyrites and iron ore. The Treasury and the Bank of England saw nothing wrong in the Spanish use of sterling. Spain spent nearly all its sterling earnings in the sterling area, only some £3 million were transferred each year to other countries in the transferable accounts area (much of it to Brazil), which was spent ultimately on British exports:

TABLE 5.9

SPAIN'S USE OF STERLING EARNINGS
(in millions of sterling per year)

Raw materials from:	
Rest of the Sterling Area	10
Transferable Account Area	3
Essentials from the U.K.	20
U.K. invisibles	11
Financial remittances	1.2
U.K. less essentials	3.5
Black sterling *	4
<hr/>	
TOTAL	52.7

Source: PRO, BT 11/5037: ON (53) 26th Meeting, 11 June 1953. (*) Sterling earnings not declared by Spanish exporters to the Spanish Foreign Exchange Office.

Spain could be made a precedent, and pressure for quantitative restrictions could be put on countries like Finland, Brazil, and Argentina for purposes other than the safe-guarding of the balance of payments. A supplementary difficulty arose from the fact that the selection of commodities to be withdrawn from OGL's would be extremely difficult. It would give rise to domestic pressures to include further items for protective reasons and would complicate their restoration. The Foreign Office line on this was to allow the economic departments a free hand to try and determine where British economic advantage lay. It did not wish to oppose sanctions if the economic departments finally decided in favour of them, nor to press for them if they did not. The British limited themselves to presenting the Spaniards with a short list of goods in which they took particular interest. They tried to convince the Spaniards that if they did not make substantial improvement in the level of licencing of less essential goods, and so help them to counter the increasing pressure from numerous critics, the British authorities should probably, "much against their will", be unable to continue the liberal treatment so far accorded to Spanish exporters

to the United Kingdom.¹¹⁰

The President of the Board of Trade insisted on removing Spain from the list of countries eligible for OGL's on oranges and/or tomatoes. The opening and size of bilateral quotas for these products was to be based on the treatment offered to imports of British less essentials.¹¹¹ When the Cabinet was consulted, the Ministry of Food proposed onions as a product for import restrictions. Although less effective than the products mentioned above, this would have, nevertheless, alarmed the Spaniards. Finally, the threat could be extended to other liberalisation measures planned for the end of the year (i.e., textiles, apricots, mandarines, nuts, and grapes). All of these measures were presented, not as an immediate attempt to reduce Spanish sterling earnings, but as providing the Spaniards time to rethink their attitude until November to secure the implementation of future agreed minutes.¹¹² Spanish exports were concentrated largely over the period from November to April when the bulk of the exports of fruit and vegetables took place, with a big falling off in Spain's sterling receipts during the summer months. In the meantime, the British were willing to call to the attention of the British colonies any cases where they had imposed on Spanish exports a less favourable treatment than exports from the OEEC countries.¹¹³

¹¹⁰. Paragraph based on PRO, FO 371/107701: FO to Balfour, 31 March 1953, reporting about a meeting of Board of Trade, Treasury, and Foreign Office officials with Cotton; and BT 11/5037: ONC (53) 26th Meeting, 11 June 1953.

¹¹¹. PRO, FO 371/107702: Minutes corresponding to 19 June 1953.

¹¹². PRO, BT 11/5037: Minutes by E.A. Cohen, 17 June 1953. Meeting held in the Board of Trade with representatives from the Board of Trade, Treasury, Secretary for Overseas Trade, and the Foreign Office (represented by a member of the Embassy in Madrid). Sanctions were studied at this meeting. The British commercial counsellor Cotton was the one who most strongly proposed the adoption of retaliatory measures against the Spanish: "I have no doubt that it may endanger the prospects of British firms in securing valuable contracts for industrial machinery during the next few months, especially where an element of foreign competition is involved. [...] What is, however, important is that the Spanish authorities should be taught that there comes a time when H.M.G. can no longer tolerate breaches of solemn undertakings. [...] If I may say so, I venture to suggest that the time has also come when British exporters should be shown that H.M.G. are prepared to go to extreme lengths to protect their traditional foreign markets." PRO, FO 371/107702: Cotton's secret note dated 24 June 1953.

¹¹³. PRO, FO 371/107703: "Restrictions in United Kingdom Colonies on Imports from Non-sterling, Non-dollar Countries, with particular reference to Spain", London, 17 June 1953.

Sanctions would do more harm than good. This was the essence of the final decision adopted in London. It was recognised that Spain was in genuine economic difficulties as a result of a poor harvest, and that there had been a substantial shortfall in its sterling earnings. It seemed unwise to discriminate against Spain and further reduce its sterling earnings at a time when it was particularly short of sterling and faced grave economic difficulties. Everyone also agreed that a reduction in British essential exports to Spain would have played into Germany's hands.¹¹⁴ Furthermore, sanctions were rejected as contrary to Britain's main interests. Despite the fall in sterling earnings in 1952 and 1953, Spain maintained and further increased the level of imports as a whole from the United Kingdom. It seemed difficult to apply sanctions to a country with which the overall balance of trade was improving so markedly. By forcing Spain to buy less essentials, the Spaniards would have gotten the necessary sterling by cutting down on other goods or by falling still further behind on financial remittances. There was no reason for sanctions. They would have the effect of decreasing over-all bilateral trade instead of increasing Spain's purchases of British less essentials.¹¹⁵

The alternative was to increase Spain's sterling earnings and to link them to its imports of less-essential manufactured goods through a "slipping scheme". This scale-scheme would automatically adjust the less-essential import proportion to whatever level of total sterling earnings Spain actually reached. Sterling earnings would increase by extending to Spanish products the same liberalisation measures given to the OEEC. The United Kingdom had restored its liberalisation measure to the 75 per cent commitment by October 1953. Also, the peseta swap facilities were maintained at £4 million in 1954 (instead of reducing them to £3 million as had been announced), but the dollar swap facilities were increased to a limit of £2 million, on conditions that they were partly used for purchases of British less-essential exports.¹¹⁶ This was accompanied by a nominal threat to impose sterling transferability sanctions if the terms proposed by the United Kingdom were refused, or having accepted them, they defaulted. This was a very limited threat. It was recognised that in case the general right to transfer sterling to third countries

¹¹⁴. PRO, FO 371/107702: FO to Balfour, London, 22 July 1953.

¹¹⁵. Ibid., telegram no. 225, from FO to Madrid, 31 July 1953.

¹¹⁶. Ibid., Treasury Proposal, EA(53)96, 21 July 1953.

was suspended, the United Kingdom was prepared to consider granting administrative transfer facilities for any *ad hoc* operation the Spaniards wished to make which was justified by the progress they had by then made on remittances and less essentials.¹¹⁷ Finally, it is interesting to bring to the reader's attention that the possibility for relaxing British existing restrictions to Spain without extending liberalisation to other countries, particularly in the OEEC, was given some thought. The total cost appeared greater than the United Kingdom could afford at the time.¹¹⁸

By mid-October, when London was about to make final decisions on the British import arrangements for 1954, the Foreign Office thought it "likely" to treat imports from Spain "as heretofore on the same footing as those from OEEC countries."¹¹⁹ A compromise on the question of less essentials never arrived from Spain and, as recommended by the Board of Trade, Spain was excluded from the proposed new OGL's for grapes and nuts, putting them on bilateral quotas running to mid 1954. This formula was more of a face-saving nature than retaliatory:

"The fact that Spain was for the first time excluded from new OGL's and that the bi-lateral quotas for the second half of 1954 would need to be negotiated during next December's talks should give us sufficient bargaining power, while the generous level of the first bi-lateral quotas should enable Spain to increase her sterling earnings and be unlikely therefore to encourage her to discriminate against our supplies of pyrites or exports of capital goods."¹²⁰

Excluding Spanish grapes and nuts from OGL's had no impact on Spanish exports, since bilateral quotas were sufficiently generous to allow all commercially possible trade.¹²¹

¹¹⁷. Ibid., FO to Balfour, London, 22 July 1953; PRO, FO 371/107703: Board of Trade to Cotton, 29 July 1953; and Foreign Office to Madrid, 14 August 1953, as agreed between the Board of Trade and the Treasury.

¹¹⁸. PRO, FO 371/107702: FO to Madrid, 31 July 1953.

¹¹⁹. PRO, FO 371/107703: FO to Madrid, telegram no. 287, London, 17 October 1953.

¹²⁰. Ibid., telegram no. 290, FO to Madrid, 20 October 1953.

¹²¹. MAE, Leg. 5919, exp. 1: Argüelles to the Spanish Ambassador in Bonn, "Información sobre trato que España recibe de los países de la OECE en lo que respecta a la liberalización de sus importaciones", Madrid, 30 July 1954. In 1954, the United Kingdom increased the import value of both commodities from Spain in relation to 1953: grapes by 21 percent and nuts by 37 per cent; Annual Statement of the Trade of the United Kingdom with Commonwealth Countries and Foreign Countries, 1954, vol. IV.

From July 1954 on, when Spain appeared to meet and even to exceed its obligations on less-essentials, Spanish products were completely freed from quantitative restrictions on imports into the United Kingdom and were on an equal footing with any OEEC member-country.

Spain did not suffer much either from early liberalisation or from import restrictions regarding its main export commodities in the British market. Anglo-Spanish commercial relations at the time of restrictions show that the British authorities did not want to deprive Spain of sterling earnings in order to maintain mutually beneficial trade relations. The basic choices for the British were to provide flexibility to a bilateral system which was characterised by a lack of it, to proceed through compensation operations, or to do without bilateral relations with Spain. The answer to this dilemma was the rapid bilateral trade recovery which took place in 1954. This year is significant because Spanish exports of citrus fruits were down by some £2 million as a result of frosts. By 1955, Spain had already recovered to pre-1952 export levels. This was important because the United Kingdom was the largest consumer of Spanish agricultural exports and, also, because sterling transferability provided a little oxygen for Spain's asphyxiating bilateral system of international payments.

Similarly, in the French market, the OEEC's liberalisation worked to the advantage of Italy only during 1950. This was not the case in 1951, nor in February 1952 when France suspended previous liberalisation measures and imposed import restrictions (see table 5.10). Unlike the British and German cases, import restrictions in France lasted several years because of balance-of-payments difficulties.¹²² At the end of 1953, the

¹²². That balance-of-payments considerations provided the perfect excuse for imposing restrictions of a protectionist nature comes from the warning that Maurice Petsche, then Minister of Finances and President of the Council of Ministers, made to the ministers of his cabinet: these measures were "truly temporary measures that could not be used to extend protectionism"; AD, DE-CE vol. 353: Petsche to Jean-Marie Louvel, Minister of Industry and Energy (August 1951-March 1952), "Suspension de la liberalisation des échanges", Paris, 16 February 1952. A further proof that restrictions served to protect French domestic interests comes from the fact that France took more than two years to re-liberalise partially and only after rising tariffs; MAE, Leg. 10078, exp. 21: "Quinto informe del Consejo de Europa para la Organización de Cooperación Económica (Septiembre de 1953)"; and, AD, DE-CE 1945-1960, vol. 353: French delegation to the OEEC, to Robert Marjolin, Secretary General of the OEEC, Paris, 15 April 1954.

French Government increased its liberalisation effort to a mere 8 per cent.¹²³ By January 1955, the French brought the percentage of liberalisation back to the level of February 1952 (72 per cent).

TABLE 5.10

FRANCE'S TOTAL AND AGRICULTURAL IMPORTS FROM ITALY AND SPAIN, 1949-1953
(in millions of French francs)

YEAR	1949 ^a	1950 ^b	1951 ^c	1952 ^d	1953 ^e	^b / _a	^c / _a	^d / _a	^e / _a
TOTAL IMPORTS									
Italy	17,653	38,071	49,571	35,077	22,815	215.7	130.2	70.8	46.0
Spain	12,900	9,850	13,548	18,099	16,833	76.4	137.5	133.6	124.2
AGRICULTURAL IMPORTS									
Italy	3,934	9,763	9,786	7,274	6,214	248.2	100.2	73.3	63.5
Spain	11,229	7,983	9,384	12,997	14,282	71.1	117.5	138.5	152.2

Source: Direction générale des douanes et droits indirects: Tableau général du commerce extérieur, vols. Commerce de la France avec la France d'Outre-Mer et les pays étrangers, Paris [Imprimerie National] various years; the figures refer to *commerce général d'importation*.

In 1951, the Spanish export performance in France was already more dynamic than the Italian one. In 1952 and 1953, Italian exports to France had suffered significant set backs compared to 1951 as a result of French imports restrictions. In contrast, Spanish agricultural exports experienced important increases in 1951 and especially in 1952 and 1953, despite restrictions, while French imports from Italy continued to drop. In 1953, French total imports from Italy dropped 35 per cent from the 1952 level and Italian agricultural exports dropped 14.6 per cent. On the contrary, French imports from Spain decreased by 7 per cent whereas agricultural exports increased by 10 per cent.

These figures show that France offered different treatment to its agricultural imports from Spain and Italy during the period from 1949 to 1953. The result was that, while Italy multiplied by 0.8 its agricultural exports to France between 1949 and 1953, the figure for Spain was 1.3. On the other hand, while agricultural commodities accounted for a very high percentage of Spain's total exports to France throughout the period, Italy's remained low. During the period of restrictions, despite the opposition shown by French organised agricultural producers, Spain enlarged its agricultural export trade, while Italy,

¹²³. MAE, Leg. 3056, exp. 7: "Información Comercial General sobre Francia en 1953".

theoretically favoured by common OEEC and EPU membership, did not. On the other hand, in 1952, Spain became France's major food and agricultural supplier. The Netherlands had held this position up to 1951, but lost it in favour of Spain. At the time of restrictions, trade between France and Spain continued to expand. This was in contrast to France's experience with many OEEC countries. This point is important, because France did not officially grant Spain any of the liberalisation measures adopted in line with the OEEC.

The price information available does not give any advantage to Spain's agricultural exports over Italy's. By comparing Spain's wholesale prices with those for the major producing and trading countries in two important export commodities, oranges and wine, it can be concluded that lower prices do not explain Spain's success in competing with Italy. Between 1949 and 1952, the price of the common orange found in Italy, Israel, and the United States decreased between 10 per cent and 15 per cent, while the Spanish orange price increased by 24 per cent. At that same period, the Spanish local price of common red wine increased by 29 per cent. The Portuguese wine price increased by only 10 per cent; it decreased between 3 per cent and 19 per cent in Italy and France, respectively -the main competitors in wine exports.¹²⁴ The plethora of price distortions that domestic agricultural commodities and trade prices suffered at that time should make the historian extremely careful when considering this information in terms of trade competition. Notwithstanding this, there seems to be evidence that the advantage that Spain's agricultural exports enjoyed over Italy's during the period under discussion was due basically to a political desire to reduce discrimination against Spain's main trading commodities.

¹²⁴. The United Nations' agricultural agency provides one of the rare examples of price information which includes Spain in comparative terms; Food and Agriculture Organisation: Yearbook of Food and Agricultural Statistics. Production, 1956, vol. X, part 1, pp. 278 and 280. It refers to average wholesale prices to producers of <<bionda>>, <<Jaffa>>, <<Florida>> and <<blanca común>> orange types, and of common red wine, calculated in local currencies. According to the Spanish Minister of Agriculture acting as President of the Spanish delegation at the ministerial conference on agricultural markets, Paris, March 1953, Spanish export prices, on average, were lower than in any OEEC country; MAE, Leg. 3445, exp. 23: Speech on 19 March, attached to despatch no. 760 from the Embassy in Paris, "Pool Verde", 20 March 1953.

At this point the reader might wonder what was happening with the traditional French dislike for the Franco regime. The attempts to regain the Spanish market after March 1948 required a decisive political course of action that implied several concessions to the Spanish authorities, and not exclusively of an economic character. The French Government decided to respond constructively to the complaints by the Spanish Government about the pseudo-clandestine broadcasting stations run by Spanish émigrés and about the political meetings of Spanish refugees in the French departments contiguous to the Pyrenees, which the Spanish Government considered subversive. In September 1950, the French Government, with Socialist participation, prohibited the Spanish Communists from exercising political activity; they were soon either deported to Algeria or expelled from the country for their international subverting role.¹²⁵ The Spanish and French diplomatic delegations in Madrid and Paris were elevated to the rank of embassy after the United Nations General Assembly resolution of 3 November 1950 revoking sanctions against Spain was adopted.¹²⁶

Nevertheless, the reduction of trade discriminatory practices towards Spain by the French was far from complete. The bilateral trade agreement signed between France and Spain on 30 October 1953, which ran until 31 October 1954, spelled out import and export commodities with quota indications (set either on a value or volume basis). Specifically, in the case of oranges, *calendriers* referred not only to the timing of the Spanish exports, but quantities were specified according to transportation means and French ports of entrance.¹²⁷ A new temporary levy of 10 per cent *ad valorem* was imposed on liberalised commodities coming from OEEC countries. This was extended to Spain, and, in the case of oranges, was added to the actual levy of 35 percent *ad valorem*.¹²⁸ During the long negotiations for the new bilateral trade agreement (finally

¹²⁵. Valentina Fernández Vargas: La resistencia interior en la España de Franco, Madrid [Istmo] 1981, p. 33.

¹²⁶. See a summary of the entire process in AD, Z/EE, vol. 49: "Note rapports franco-espagnols", Paris, 12 November 1951.

¹²⁷. "Accord commercial franco-espagnol du 30 octobre 1953, valable du 1er novembre 1953 au 31 octobre 1954", in Chambre du Commerce Franco-Espagnole: Guide du Commerce avec l'Espagne, Paris, December 1953.

¹²⁸. MAE, Leg. 4613, exp. 1: Argüelles to Artajo, Madrid, 6 July 1954; and Max Liniger: L'orange d'Espagne sur les marchés européens, Geneva [Editions du Temps] 1962, p. 155.

concluded in November 1954), North-African producers pressed for a quota on Spanish oranges of a maximum of 170,000 tons. The final arrangement was fixed at the previous level of 200,000 tons, while maintaining the 35 percent *ad valorem* levy.¹²⁹ The Spanish delegation had succeeded, at least, in obtaining the suppression of the compensatory tax of 10 per cent applied to orange imports of any provenance since the spring.

In terms of trade liberalisation regarding Spanish exports to other countries, the situation was as follows.¹³⁰ Norway's OEEC free lists applied fully to Spain as of January 1951.¹³¹ The Spanish-Norwegian agreement of 26 June 1955 expressed explicitly the extension of the OEEC free lists to Spain. Ireland extended the benefits of the OEEC measures to Spain as early as December 1951.¹³² After May 1953, during the annual period of application for a trade agreement, Sweden authorised imports from Spain without quantitative restrictions.¹³³ However, it was always clearly specified that, in case of difficulties, quotas were to be reimposed. A similar attitude was adopted by the Dutch after June 1953.¹³⁴ Denmark did so by means of its bilateral agreement signed with Spain on 2 July 1953. Spanish imports into Greece were authorised without quantitative

¹²⁹. AD, Z/EE vol. 97: Directorate-General of Economic and Financial Affairs at the French Ministry of Foreign Affairs, "Note pour la Direction d'Europe. A.S. Accord commercial franco-espagnol paraphé le 19-11-1954", Paris, 8 December 1954.

¹³⁰. For the following cases where a specific source is not provided, the reader should refer to MAE, Leg. 5919, exp. 1: "Claúsulas de los acuerdos bilaterales en vigor entre España y países miembros de la OECE concediendo la liberalización de ciertos productos españoles cuando son importados en dichos países", n/s, n/d. Austria, Portugal, and Turkey are excluded from the following analysis; Spain had no commercial agreement with Austria, obtained special treatment from Portugal, and traded on a compensation basis with Turkey.

¹³¹. Trued and Mikesell, *op. cit.*, p. 92.

¹³². AGA, C/36622, folder no. 2: OECE, C/WP11/W(56)26, Working Party no. 11 of the Council, "Association de l'Espagne aux Travaux de l'Organisation. Difficultés rencontrées par les exportations espagnoles sur les marchés européens", as provided by the OEEC Spanish Delegation, Paris, 23 June 1956.

¹³³. "Protocolo anual sobre el intercambio comercial y de pagos entre España y Suecia de 13 de Agosto de 1954", in *ICE. Boletín Mensual*, no. 387, 2 September 1954, p. 1467.

¹³⁴. Spanish-Dutch agreement of 11 June 1953, mentioned in MAE, Leg. 5919, exp. 1: "Claúsulas de los acuerdos comerciales", *cit.*

limits following the OEEC rules (at least) after July 1954 (and possibly a year earlier).¹³⁵

Belgium imposed a *calendrier* system for those products competing directly with its domestic production, as it did with OEEC countries, and, following common Benelux agreements imposed customs duties on oranges and other commodities.¹³⁶ However, the Belgian trade delegation frequently offered to its Spanish counterpart delegation to drop some of these measures provided Spain increased accordingly its purchases of less essentials from Belgium. By July 1954, Belgium and Luxembourg granted Spain an OEEC import treatment.¹³⁷ Switzerland followed the Belgian example by imposing a *calendrier* system for those foodstuffs competing directly with its domestic production, and imposed additionally maximum quotas for wines and olive oil in a clear concession to Italy. In retaliation, the Spanish-Swiss bilateral agreement of November 1954 kept important raw materials under quota restrictions (i.e., pyrites, iron ore, wolfram, lead).¹³⁸ Germany, the Netherlands, and Italy did not put Spain on an equal footing with the other OEEC countries, but conceded the importation of those agricultural commodities liberalised within the OEEC without quantitative limits.¹³⁹ The United Kingdom extended a *de facto* OEEC treatment to Spain, though it was never formally stated.

By the summer of 1956 (judging from a report on Spain's official complaints to the OEEC), the level of discrimination against Spanish exports was low particularly for

¹³⁵. MAE, Leg. 5915, exp. 1: Argüelles to the Spanish Ambassador in Bonn, "Información sobre trato que España recibe de los países de la OECE en lo que respecta a la liberalización de sus importaciones", Madrid, 30 July 1954.

¹³⁶. Spanish-Belgian agreement of 8 February 1954, mentioned in MAE, Leg. 5919, exp. 1: "Claúsulas de los acuerdos bilaterales", cit.

¹³⁷. MAE, Leg. 5915, exp. 1: "Información sobre trato que España recibe de los países de la OECE en lo que respecta a la liberalización de sus importaciones", cit.

¹³⁸. Ibid., Gamir to Fernando Carderera, Attaché for Foreign Economy, Madrid, 8 May 1956.

¹³⁹. Spanish bilateral agreements with the Netherlands of 11 June 1953, the Federal Republic of 21 April 1955, and Italy 13 April 1956; in MAE, Leg. 5919, exp. 1: "Claúsulas de los acuerdos bilaterales", cit.

agricultural exports.¹⁴⁰ At that time, Denmark, Greece, the Federal Republic of Germany, Ireland, Norway, Sweden, Switzerland, and the United Kingdom extended to Spain the liberalisation measures implemented within the OEEC. The others, conceded OEEC treatment to Spanish agricultural exports. Nevertheless, these concessions were never complete and were always subject to unilateral modification. France was the major exception, maintaining a strong discriminatory policy towards Spain, in particular in the agricultural field. The negotiators for Spanish membership into the European Economic Community during the 1980s continued to suffer under this discrimination by France.

5.3.3. Explaining a Paradox

Spain's bilateralism was not the liability that an impartial observer might have assumed in a world supposedly moving towards multilateral trade and payments. In general, bilateralism for Spain's main exports was rather successful against trade liberalisation. On the one hand, it was in the field of agricultural and food products that the OEEC trade liberalisation scheme failed most spectacularly to remove the barriers to free trade; on the other hand, the OEEC liberalisation did not produce any major change in trade of raw materials. When the OEEC trade liberalisation hit the wall of protectionism, the return to bilateralism was immediate, and it became a normal practice for which Spain was well equipped. When bilateralism flourished during the period of restrictions and, in particular, during the rearmament boom, Spain benefited most because it had kept intact all the instruments of bilateral bargaining.

A complex set of economic and political circumstances, whereby agriculture was considered a sector deserving special protection, resulted in the lack of discipline imposed by the OEEC trade liberalisation programme. The war time experience was the stimulus for a reduced dependence on foreign supplies as part of the concept of national security

¹⁴⁰. AGA, C/36622, folder no. 2: OECE, C/WP11/W(56)26, Working Party no. 11 of the Council, "Association de l'Espagne aux Travaux de l'Organisation. Difficultés rencontrées par les exportations espagnoles sur les marchés européens", as provided by the Spanish delegation to the OEEC, Paris, 23 June 1956.

pursued after World War II.¹⁴¹ All western European countries promoted important increases in agricultural production aiming for the maximum possible degree of self-sufficiency.¹⁴² Population increases and the resulting higher rate of food consumption, the worldwide shortage of foodstuffs, balance-of-payments difficulties during the reconstruction period, an extended import substitution rationale, and the need to save hard currencies for industrial reconstruction first and then for rearmament all served to promote domestic production at any cost.¹⁴³ In political terms, the maintenance of high-cost agricultural production that was protected from external competition behind tariff and non-tariff barriers and dependent upon government subsidies and guarantees of selling prices, was necessary to gain farmers' political support for stable democratic reconstruction. This was especially true where coalition governments applied and in those countries where the countryside had played a significant role in bringing about the collapse of liberal governments and the rise of fascism and totalitarianism. By the time of the first implementation of the OEEC trade liberalisation clauses, agricultural protection was part of the welfare state being built at the time. Most countries were unwilling to abandon the system despite relatively inefficient and high-cost production.¹⁴⁴

Freer trade was more easily promoted when domestic protection and increases in output were compatible with more liberal trade policies. But agricultural output per capita in western Europe reached prewar levels by 1950/51. Then, trade liberalisation faced the

¹⁴¹. See contributions to Bernd Martin and Milward (eds.): Agriculture and Food Supply in the Second World War/ Landwirtschaft und Versorgung im Zweiten Weltkrieg, Ostfildern [Scripta Mercaturae Verlag] 1985.

¹⁴². The long-term programmes for agriculture drafted by the State-members of the Committee for European Economic Cooperation and Germany aimed at reaching prewar levels of output by 1950-1951 or earlier; AN, F/10/5668: Comité de Coopération Économique Européenne, vol. 2, Rapports Techniques, Juillet-Septembre 1947, Paris [Imprimerie Nationale] 1947, also published by HMSO, London, 1947.

¹⁴³. For post-1945 agricultural situation see chapter two, pp. 63 ff.

¹⁴⁴. For the extent of public intervention in agriculture see OEEC: First Report on Agricultural Policies in Europe and North America, Paris, 1956. For agricultural trade problems see "Europe's Trade in Agricultural Products", in United Nations: Economic Bulletin for Europe. Fourth Quarter, 1953, vol. 6, no. 1, Geneva, May 1954, pp. 22-54, supplement to the Economic Commission for Europe and Food and Agriculture Organization: European Agriculture. A Statement of Problems, Geneva, 1954. For a general approach to European domestic agricultural policies see Michael Tracy: Government and Agriculture in Western Europe 1880-1988, 3rd ed., London [Harvester Wheatsheaf] 1989, pp. 215-48.

full force of the devices set up to provide protection for domestic agriculture. The extremely seasonal nature of production, the wide fluctuations in crops from year-to-year, and the perishable nature of the product made it difficult to liberalise further certain limits. Not only did all importing countries suspend imports of fresh vegetables and fruits for specific periods, but made these products the first items for de-liberalisation as soon as balance-of-payments difficulties required it. Under these conditions, it was not surprising that (except for 1950) the liberalisation percentages for agricultural commodities were consistently the lowest of the three categories and lower than the targets set for liberalisation percentages:

TABLE 5.11

TRADE LIBERALISATION PERCENTAGES ACHIEVED BY THE OEEC WITH RESPECT TO PRIVATE TRADE IN THE THREE DIFFERENT CATEGORIES, JUNE 1950-APRIL 1954

	1950		1951		1952		1953		1954
	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Apr
Private Trade	55.3	67.5	65.6	62.1	63.4	65.8	71.4	76.6	76.7
Raw Materials	59.5	77.4	76.3	74.8	72.8	67.8	74.9	84.9	83.0
Manufactured Goods	49.5	59.1	60.0	58.9	59.9	61.8	71.9	74.0	73.6
Agricultural and Food Products	57.4	67.4	58.9	50.8	55.0	55.6	60.9	66.8	71.6

Source: Frederic Boyer and J.P. Sallé: "The Liberalization of Intra-European Trade in the Framework of OEEC", International Monetary Fund. Staff Papers, vol. 4, no. 2, February 1955, pp. 179-216, tables 1, 3-6. Position recorded on the last day of the month, except 1st April 1954.

Most European partners could meet the first 50 percent liberalisation target without difficulty because it did not materially affect levels of protection. Most of the quantitative restrictions removed were obsolete as means of protection. The first target consolidated those situations in which restrictions were no longer necessary or effective, such as non-competitive raw materials and other essential supplies.¹⁴⁵ Nevertheless, six countries had already failed to meet the requirements for liberalisation (Iceland and Turkey, completely, and Austria, Denmark, Germany, and Norway deficient in some category).¹⁴⁶ Further targets were reached less

¹⁴⁵. AN, F/10/5700: OEEC, Food and Agriculture Committee, AG(50)17: "The liberalisation of trade in food and agricultural products and its relation to general agricultural objectives", Paris, 12 June 1950; United Nations, Department of Economic Affairs, Economic Commission for Europe, Research and Planning Division: Economic Survey of Europe in 1949, Geneva, 1950, p. 102.

¹⁴⁶. Diebold, op. cit., pp. 163-67.

promptly, because they affected products effectively protected by non-tariff means.¹⁴⁷

By June 1950, the OEEC countries had removed quotas on a higher proportion of their 1948 private trade in foodstuffs than in manufactured goods. This was because the OEEC programme did not affect trade on government account, which was widely practiced in agricultural trade. While the liberalisation scheme referred exclusively to private trade, 54 per cent of total intra-European trade in agricultural commodities in 1950/51 was purchased by governments, state agencies, or state-controlled enterprises; this figure was 39 per cent for raw materials.¹⁴⁸ Those countries with extensive state purchasing programmes diverted a considerable portion of trade from liberalisation. By using the Ministry of Food's long-term contracts and purchases, Great Britain, the largest importer of European agricultural products (36 per cent of total intra-European trade of agricultural commodities in 1948), excluded 39 per cent of its total trade from the threat of liberalisation. Moreover, the participating countries could transfer any import from private to government trade, as long as the commodity had not been the subject of consolidated liberalisation. For instance, by the target date of October 1950, the Federal Republic of Germany could reach the 65 percent private trade liberalisation for foodstuffs and agricultural products by transferring several agricultural commodities from private to state trade and removing them from the calculations.¹⁴⁹ Between 1950 and the end of 1951, no much progress was accomplished despite the reduction of government purchasing as several major materials were handed over to private traders.

The initial percentages of liberalisation referred altogether to imports in the three categories: raw materials, manufactured goods, and agricultural products. This allowed industrial lobbies to preserve their own protection by pushing up the levels in raw materials and agricultural goods to compensate in average. When the trade liberalisation percentage increased and member countries were committed to free equal percentages in each of the three broad categories, restrictions on trade in agricultural products hardened and the liberalisation of farm

¹⁴⁷. AN, F/10/5207: "OECE, Groupe de Travail mixte num. 2 du Comité des échanges et du Comité de l'alimentation et de l'agriculture. Les effets d'un accroissement de la libération des échanges sur l'expansion agricole", Paris, 26 November 1951.

¹⁴⁸. Heming, Miles and Ray, art. cit., p. 83.

¹⁴⁹. Asbeek Brusse's doctoral thesis, cit., p. 79.

products lagged. When in October 1950 the OEEC Council agreed to raise the liberalisation percentage to 75 per cent by February 1951, it referred to total imports in direct concession to widespread agricultural protectionism. The liberalisation percentage, corresponding to agricultural trade, for the OEEC area as a whole as of December 1953 was lower than that reached in December 1950. The percentage was raised in April 1954 as a result of British liberalisation measures which increased the United Kingdom's liberalisation performance in this category from 58 to 86.7 per cent. However, the over-all liberalisation percentage for agricultural products remained the lowest of the three categories.

Finally, the fact that the OEEC and its liberalisation programme were not connected with tariff problems accentuated the loss of effectiveness and credibility of this institution. By the time the OEEC was prepared to motivate trade liberalisation by the removal of quantitative restrictions, tariffs were once again effective instruments for domestic protection and trade bargaining in Western Europe. Some countries (i.e, France and Italy) increased their tariff levels in anticipation of the OEEC's trade liberalisation measures and GATT rounds. The immediate effect of trade liberalisation was frequently compensated for by reactivating tariffs to levels that, in many cases, surpassed prewar levels. This was true for many commodities in the United Kingdom and Germany.¹⁵⁰ Low tariff countries, in particular Denmark and the Netherlands with large exports of agricultural commodities, complained. They had to undergo great efforts in the industrial sector obtaining no compensation in agricultural trade from their partners.¹⁵¹ Liberalisation in this commodity group remained confined basically to bilateral bargaining.

These deficiencies or limitations in the OEEC's trade-liberalisation scheme were most relevant in agricultural trade. This was of particular importance for Spain, in whose export trade agricultural produce had the largest share. The situation described above affected Spain also in the long term, because it was excluded from future initiatives at agricultural integration that resulted from the perception of the threats and failures of the OEEC trade liberalisation

¹⁵⁰. Ibid., pp. 80 ff.

¹⁵¹. That the deficiencies in the OEEC's programme for trade liberalisation affected particularly agricultural trade has been already pointed out by Boyer and Sallé, art. cit., p. 205; Diebold, op. cit., pp. 186-215 and 258-79; Milward, *Reconstruction*, cit., pp. 422-61; and Griffiths, "The Green Pool Negotiations", EUI Colloquium Papers, 313/90 (Col 47), Florence, November 1990, to be published in Griffiths (ed.): *The Green Pool*, cit.

programme for individual countries. The fear that trade liberalisation could expose French agricultural surpluses to foreign competition, ended in a plan for protected foreign markets for the high priced French agricultural export products. On the other hand, traditional European exporters found that the OEEC was unable to open traditional food markets. Increased domestic output without productivity improvements had caused closed markets and decreased outlets. This led to a Dutch proposal (the Stikker Plan of Action) for the complete removal of all trade barriers (including state trade ~~and~~ tariffs) from which a sectoral initiative for agricultural integration developed.¹⁵² The inability of the OEEC to secure a freer intra-European flow of agricultural products when in almost all countries agricultural surpluses appeared, stimulated the movement for agricultural markets integration, which became a real threat to Spain's main exports.¹⁵³

Spain's behaviour when liberalisation was most ineffective resulted from its bilateral trade and payments with Western Europe. In a basically barter system of exchange, Spain imposed upon its commercial partners the need to preserve a certain level of imports if the trade flows were to be maintained. Most of the Spanish exports consisted of only a small range of commodities; any discriminatory measures adopted against them would end trade relations because of Spain's consequent lack of means of payment. Bilateralism, paradoxically, protected Spain when commercial partners imposed import restrictions due to balance-of-payments difficulties.

Spain's specific commodity mix of agricultural exports allowed it to escape to some extent from controls and discrimination. From 1949 to 1952, oranges alone accounted for 53 per cent of the value of all French imports from Spain, while, during 1953 and 1954, fruit accounted for 71 per cent of total Spanish exports to France. In the case of the United Kingdom, only two

¹⁵². In July 1950, the Dutch Minister of Foreign Affairs, Dirk U. Stikker, presented to the OEEC Council a plan for sectoral integration, to which Spain paid direct attention, see chapter six, pp. 455 ff. Tariffs were a main area of concern in Dutch foreign economic policy either within the OEEC, the Six, or the GATT; Griffiths: "The Abortive Dutch Assault on European Tariffs, 1950-1952", in Michael J. Wintle (ed.): Modern Dutch Studies. Essays in Honour of Peter King, Professor of Modern Dutch Studies at the University of Hull on the Occasion of his Retirement, London [The Athlone Press] 1988, pp. 186-208.

¹⁵³. See chapter seven for the different initiatives at agricultural integration and the Spanish reaction.

products, tomatoes and oranges, accounted for 56 per cent of the value of British imports of foodstuffs from Spain from 1949 to 1953. Spain's main export commodity -oranges- and the early timing of some of its horticultural crops, did not compete directly with other importing countries' production. Trade in these commodities was therefore either liberalised or subjected to seasonal restrictions. In the latter case (except in France), by the time the domestic season started and imports became more restrictive, the bulk of Spanish production was already placed.

Italian agricultural export trade was more varied than Spanish export trade. It included a larger variety of fruit and vegetable commodities grown in most European countries for which liberalisation had made much less headway. These products attracted a large share of the protectionist measures by which individual countries sought to build up their own production; they constituted a sector ready for de-liberalisation as soon as an excuse allowed for it. Furthermore, the possible damage caused to the Italian balance of payments could be compensated for partially by better performance in the manufactured goods sector or by the contribution of emigrants' remittances.¹⁵⁴

Spain did not benefit from any of these factors. Aside from agricultural commodities, there was not much left to import from Spain as a means of expanding trade. The important contribution of raw materials to exports during the World War period (31 per cent of total value of exports in the period from 1940 to 1944) and the demand boom following the outbreak of war in Korea (20 per cent of total exports in 1950-1953) were considered temporary situations outside the normal contribution to exports (approximately a proportion similar to the period from 1946 to 1950, i.e., 14 per cent).¹⁵⁵ Spanish industrial policies protected an inefficient industry with high costs and out-of-date equipment.

Imposing restrictions or discriminatory measures on Spain's main export commodities would have immediately entailed a reduction in the Spanish import bill. That automatically implied that less-essential imports were the first items to be put into quarantine with a

¹⁵⁴. AD, DE-CE, vol. 353: Petsche to Louvel, "Suspension de la liberalisation des échanges", Paris, 16 February 1952.

¹⁵⁵. Percentages from Antonio Tena Junquito: "Comercio exterior", in Estadísticas históricas, pp. 329-361, table 8.5, p. 350.

diminution of Spain's earnings of foreign currency, regardless of the provision made to spend a fixed percentage of exchange earnings. British and French manufacturers were anxious to sell to Spain items such as road vehicles and other transport, communications, and electrical equipment, for which Western demand was not increasing as fast as other commodities. They forced their respective governments to maintain the maximum possible level of trade with Spain in spite of other political or economic considerations. Otherwise, their market share in Spain would have been lost to the advantage of their European competitors.

French industry had progressively increased its share in Spain's imports of capital goods (especially in the electrical and railways industry). This required compensation since export-import quotas were intrinsically linked (i.e., some of the capital goods were purchased against orange quotas above the established limits). As such, French diplomats recognised the "effort soutenu pour acheter en Espagne le tonnage maximum d'agrumes", in spite opposition from French continental and North African producers, in order to maintain the Spanish market for some semi-manufactured goods in crisis.¹⁵⁶ When the Spanish diplomats presented a long list of complaints against the French policy towards Spain, the French Government tried to demonstrate its previous good-will by arguing that the "French market had been open to Spanish export products despite the complaints of North African interests."¹⁵⁷ At the beginning of December 1952, bilateral economic talks took place in Paris between the National Confederation of French Producers and a delegation of Spanish business men. They agreed to the creation of technical committees in matters such as transport and electricity to promote an expansion of bilateral trade. A third committee on agriculture was set up with the intention of supporting Spanish participation in the European conference of ministers of agriculture, in order to increase agricultural exports.¹⁵⁸ In sum, French industry had no second thoughts about an immediate promotion of Spain's agricultural exports to provide the necessary financial means to promote the export of manufactured goods to Spain.

¹⁵⁶. AD, Z/EE vol. 97: Directorate-General of Economic and Financial Affairs at the Quai d'Orsay, "Note pour Monsieur [Georges] De la Tournelle [French Ambassador to Spain]. Relations économiques franco-espagnoles", Paris, n/d.

¹⁵⁷. MAE, Leg. 3445, exp. 16: Memorandum of the French Government to the Spanish Government, Paris, 20 November 1952.

¹⁵⁸. AN, F/10/5553: Press cutting without reference to source or date.

The pattern of bilateral trade indicates that France opted not to offer Italy the market share left by French imports from North Africa, as might have been expected. The advantages of bilateralism and concentrated export trade were that any discriminatory treatment of, for instance, Spanish oranges, would collapse the entire bilateral trade, including trade in essentials. Therefore, France, although respectful of North African pressure, had to offer the French market to Spanish agricultural products. The financial protocol of 7 April 1953 granted Ff 15,000 million credit to cover purchases from the French industry of certain equipment material by the companies of the Spanish Institute of Industry, RENFE, municipal authorities, and private concerns. The protocol was announced together with the French acceptance of Spanish participation to the conference of European ministers of agriculture.¹³⁹ This "continuous effort" to satisfy at least some of the Spanish agricultural export requests plus the credits granted by the Bank of France (\$10 million at the end of 1953, increased to \$12 million before 30 June 1955) allowed an increase in French exports to Spain; from Ff 7,000 million in 1949 to Ff 24,000 million in 1953. Spain moved from the sixteenth largest recipient of French exports to the tenth.

Discriminatory actions or sanctions against Spain's exports to the United Kingdom encountered immense difficulty in the British Cabinet. The Board of Trade had been forced to consider them under the pressure of an influential lobby built around less-essential exports to Spain. From June 1952 to June 1953, the British Cabinet considered that forcing Spain to import less essentials (which amounted, on average, to only 10 per cent of total British exports to Spain) should not be done at the risk of causing a serious contraction in overall trade that would affect all of the British industry. The British could not restrict the import of Spanish goods, especially agricultural produce, beyond a certain point because of the immediate impact this would have on the capacity of the Spanish market to absorb larger quantities of goods from the United Kingdom and the Sterling Area.

No economy in western Europe could afford to obstruct the trade of raw materials from non-dollar sources. The tendency for the production of manufactured goods to increase faster than the output of raw materials is a general postwar phenomenon. Because the limitations of local resources of raw materials relative to manufacturing capacity was acute, trade of raw

¹³⁹. PRO, FO 371/107718: Cotton to the Marquess of Salisbury, FO, Madrid, 14 August 1953; and BT 11/5011: Press note, n/d.

materials was relatively free. The initial impact of the liberalisation scheme on trade in raw materials from off-OEEC sources was rather modest because member countries, before the inauguration of the scheme, had already been importing about as much as could be obtained from the sources of the area. It is thus natural that, throughout the period during which the scheme was in force, the liberalisation percentages corresponding to raw materials were consistently higher than the percentages for the two other categories and permanently higher than the targets set by the OEEC Council decisions. Had it not been for balance of payments reasons that led some countries (France, Turkey, and Iceland) to maintain a substantial portion of their imports of raw materials under quota, a practically complete liberalisation of trade on private account would have been achieved in this sector by the end of 1953.¹⁶⁰

Neither the OEEC liberalisation programme nor import restrictions had an effect on Spain's exports of strategic raw materials. The dominant rule remained to secure a proper share of Spain's raw materials. Spain had the largest known mineral reserves of southern Europe, including iron ore, hard coal, lead, zinc, copper, pyrites, fluorspar, tungsten, mercury, potash, tin, magnetite, and lignite.¹⁶¹ These were minerals for industrial output and necessary inputs for rearmament programmes after June 1950. Spain's reserves of pyrites, a source of sulphur and copper, were the largest known at the time in the world. In 1950, it produced roughly 14 per cent of world's production, ranking second to Japan which accounted for 18 per cent of total world production of pyrites. A large part of its production (an annual average during the period from 1948 to 1950 of 1,033,000 tons) was exported, principally to the United Kingdom, Germany, the Netherlands, Belgium, and France. Prior to the outbreak of war in Korea, there had been some slackening of demand, but after June 1950, the general shortage of United States sulphur caused an increase in the demand for Spanish pyrites.¹⁶² The following table shows how some of Spain's raw materials were still highly appreciated in Britain.

¹⁶⁰. Boyer and Sallé, *art. cit.*, p. 204.

¹⁶¹. ECE: Economic Survey of Europe in 1953. Including a Study of Economic Development in Southern Europe, Department of Economic Affairs, Geneva, 1954, table 82, p. 169.

¹⁶². *Ibid.*, Economic Survey of Europe in 1950, Geneva, 1951, p. 83.

TABLE 5.12

BRITISH IMPORTS OF SOME RAW MATERIALS, 1951-1952

YEAR	1951	1952
Pyrites (tons)	233,200	576,700
from Spain	180,400	324,300
from Portugal	17,100	—
from Cyprus	24,400	152,400
from Greece	15,300	—
Mercury (lb.)	4,377,600	4,377,600
from Spain	3,040,000	3,040,000
from Italy	1,064,000	1,064,000
from Yugoslavia	228,000	228,000
from Japan	45,600	45,600
Potash (tons)	344,000	372,000
from France	216,000	200,000
from West Germany	44,000	88,000
from Spain	43,000	44,000
from East Germany	41,000	40,000

Source: PRO, BT 11/4722: Notes on estimates of essential requirements.

Next to Italy, Spain was the world's principal source of mercury, producing 30 per cent of the world's production, and its reserves were considered extensive and of the highest quality. This product, though not listed on the OEEC Council's list of scarce raw materials (December 1950), became one given the rapid price increases.¹⁶³ Spain's reserves of high quality iron ore (i.e., at least 50 percent iron content) were estimated at a billion tons, placing it second to Sweden in high quality ore.¹⁶⁴ Iron ore deserved a special mention when Bevin instructed Sir John Balfour, before the latter departed as new ambassador to Spain.¹⁶⁵ Spain was also a producer of world importance in zinc concentrates and in potash, extracting 3.3 and 4 per cent of the world's total, respectively. Potash reserves were estimated to be second only to Germany in western Europe. When in May 1950, the British Ministry of Supply had concluded negotiations with all potash suppliers (i.e., France and Germany), it believed that British requirements for 1950/51

¹⁶³. PRO, FO 371/96195: "Possible Entry of Spain into OEEC", top secret report dated 10 March 1951.

¹⁶⁴. United Nations, Survey of World Iron Ore Resources, Occurrence, Appraisal and Use, 1955, pp. 35 ff.

¹⁶⁵. Bevin instructed Balfour to promote commercial exchanges "to the utmost, with particular reference to our need for Spanish iron ore." PRO, FO 371/96181: "Record of conversation between the Secretary of State and Sir John Balfour", 28 February 1951.

could be satisfied without recourse to high-priced Spanish potash.¹⁶⁶ This position changed radically after June 1950. Spain had also exportable surpluses of common salt, fluorspar, lead and tungsten concentrates, and extensive reserves of antimony ore, cement grade rock, clay, and glass sand. Finally, due to the lack of intensive geological surveys, additional metallic reserves of great value remained to be discovered.¹⁶⁷

The outbreak of war in Korea led to a violent outburst of activity to increase raw materials' stocks and gave impetus to bilateral negotiations to secure raw materials from Spain and other suppliers, especially when importers would otherwise have to pay dollars for them. Most Western European countries developed increasing debts within EPU, in particular with those countries that constituted alternative sources of supply to Spain, like Sweden and Portugal, and could not afford to become even more dependent on the United States aid for rearmament. They welcomed the possibility to obtain necessary resources from a non-dollar source the raw materials indispensable for their industries.¹⁶⁸

The new rush for stockpiling led to spectacular price increases for raw materials from which Spain benefited immediately with a favourable impact on its balance of payments position. The price of Spanish tungsten went from 90 shillings/unit c.i.f. in European ports early in 1950 to 310 shillings at the end of the year. Lead to England went from £97 per ton to £136, mercury from £27 to £37 per flask, and zinc from £100 to £170.¹⁶⁹ Tungsten rose from \$2,300 a short ton delivered in the United States in late

¹⁶⁶. PRO, FO 371/89547: FO to Madrid, 2 May 1950, and "Minutes on Anglo-Spanish Trade Negotiations", London, 8 May 1950, meeting of officials representing the Board of Trade, the Bank of England, the Treasury and the Foreign Office.

¹⁶⁷. Unless otherwise stated, the previous two paragraphs are based on PRO, FO 371/113033: U.S. Department of State, Office of Intelligence Research, Secret Intelligence Report no. IR-6634, "Spain's probable role in Western Europe", 28 July 1954.

¹⁶⁸. For instance, according to the OEEC Council, France had delayed re-stocking in the hope of a fall in prices and, consequently, had to buy in the worst circumstances with a growth in the French deficit with the EPU (\$300 million); AD, DE-CE, vol. 353: French delegation to the OEEC Secretary General, "Suspension de la libération des échanges", 4 February 1952; and AN, AJ/80/2: "Report sur la réalisation du plan de modernisation et de l'équipement de l'Union française. Année 1951", Paris, 1953. See chapter four, footnote 88, for references concerning rearmament programmes in France, Italy, and the United Kingdom.

¹⁶⁹. "Spain's Economic Relations with the United Kingdom and Ireland", in ICE, op. cit., pp. 82-85, p. 83.

1950 to \$4,740 in 1951.¹⁷⁰ In response to the change in demand, Spanish production of pyrites, copper, lead, and mercury rose immediately.¹⁷¹ A considerable rise in prices took place also for those materials with no direct relation to the war industry, such as potash salts and superphosphate.¹⁷² Therefore, in the case of essential Spanish products, European importers had either to pay a higher price for the goods needed or lose the goods. In the case of non essentials, importers moved to different suppliers whenever it was possible.

Despite increased international demand, output of many branches of mining failed to achieve any marked recovery because of the difficulties involved importing mining machinery. Rearmament by the Western powers since the Korean War created a larger foreign demand for Spanish iron ore at higher prices, but failed to stimulate an increase in output since the more basic difficulties of the industry were not removed or mitigated. The production of pyrites in 1950 still amounted to only 1.67 million tons as compared with about two million tons just before the Civil War, and 4.2 million tons in 1929. In order to encourage maximum production, after delivering to priority industries the quantities officially allocated, mines were permitted in the late part of 1950 and early 1951 to dispose of any excess production on the free market at higher prices than the official price and to utilize a certain proportion of their foreign exchange earnings for re-equipment purposes.¹⁷³ Years of neglect, shortage of mining man-power, frequent electric power cuts, transport difficulties, inadequate supply of capital, and shortage of foreign exchange for the importation of essential equipment hampered any major recovery. Spain's share of the world trade of raw materials was determined by circumstances of demand and supply and not by discriminatory devices.

The international situation which developed after June 1950 causing considerable

¹⁷⁰. R. Richard Rubottom and J. Carter Murphy: Spain and the United States Since World War II, New York [Praeger] 1984, p. 20; and J. Lee Shneidman: Spain and Franco, 1949-1955, New York [Facts on File] 1973, p. 62.

¹⁷¹. Carreras: "La industria", in Estadísticas históricas, pp. 169-247, table 5.16, p. 199.

¹⁷². "Commercial Post-War Relations between Spain and Germany", cit, p. 83.

¹⁷³. Pelham, op. cit., pp. 51-52.

shortages in raw materials, goods, and services together with rising prices, proved very much of a mixed blessing to Spain. Although certain Spanish exports benefited from rising international prices, the rise in the prices of raw materials led to a deterioration in the terms of trade, that is, with the same volume of exports less imports could be purchased. Initially, under the impact of the Korean boom, Spain's trade balance improved. This was due, however, not only to increased European demand for certain raw materials produced in Spain, but also to the implementation of a restrictive import policy due to the fear that the drastic rise in international prices would greatly aggravate the balance of payments problem. There might have been the fear that fresh fruits and vegetables, which formed by far the most important group of Spanish exports, could become subject to erratic fluctuations in price, affecting powerfully the volume of Spanish exports. If heavy rearmament programmes in Spain's major important countries (i.e., the United Kingdom and France) resulted in a lower standard of living, the demand for Spanish oranges and other fruits could well decrease.

TABLE 5.13

SPAIN'S TRADE BALANCE WITH EPU, 1950-1952
(in dollars)

1950	+	300,000
1951	+	43,636,000
January-October 1952	-	50,614,000
November 1951-October 1952	-	33,001,000

Source: MAE, Leg. 3238, exp. 5: Despatch no. 105, Gamir to Argüelles, "Propuesta alemana de acercamiento de España a la Unión Europea de Pagos", Bonn, 18 February 1953. Using official Spanish trade data and converting 1\$=3,061 gold pesetas.

In 1951, a major surplus in commodity trade developed from a further increase in sales to foreign countries due to the rise in the prices of raw materials combined with a decrease in the volume of imports. This was made possible by an abundant harvest and the reduction of coal imports due to an overall shortage after June 1950.¹⁷⁴ The sharp

¹⁷⁴. The import bill for agricultural commodities went down from an average of \$103 million during the period from 1946 to 1949 to an import bill valued at \$51 million as an average from 1950 to 1952; Manuel-Jesús González: La economía política del franquismo (1940-1970). Dirigismo, mercado y planificación, Madrid [Tecnos] 1979, tables 6-L to 6-N, pp. 580-82. For instance the import of wheat, by far the most important item in the agricultural import trade went down from an average figure of 417,048 tons in 1938/51 (or 374,297 tons in 1948/51) to 87,843 tons in 1951/52; AGA, C/37.132: National Wheat Office: "Importaciones de trigo en España verificadas por el Servicio Nacional del Trigo, durante las campañas que se expresan", Madrid, 21 May 1953, provided to the Spanish delegation at the

reduction in coal imports, chiefly from the United Kingdom, and the growing international shortages of other raw materials, due directly or indirectly to the rearmament programmes in the West, meant further difficulty in maintaining production.

The position worsened the following year and has deteriorated ever since. Increased foreign exchange earnings, particularly from mineral exports, were offset by a substantial increase in the volume of imports (especially of machinery and vehicles, fuels, cotton, and foodstuffs, as poor crops necessitated purchases of grain). The deficit, which was believed to be temporarily due to the intense process of industrial equipment and to increased imports of raw materials for industry, proved to be structural because the Spanish industry was unable to export.

The poor performance of Spanish exports of manufactured goods contrasts with the export trends in raw materials and foodstuffs. Did Spain's exclusion from the institutional arrangements for trade and payments in Western Europe place Spanish exports of manufactured goods at a higher level of discrimination than EPU members? Between 1951 and 1959, according to a comparative study between Spain, Italy, and Portugal, the performance of Spanish manufactured goods to the United Kingdom, the Federal Republic of Germany, and the Netherlands was much poorer than those by Italy and Portugal. The proportion of manufactured goods in total Spanish exports increased only to the Netherlands, although not significantly and subject to constant fluctuations; it decreased on the British market, although little, while it decreased importantly on the German market. In the case of Italy and Portugal, this same proportion increased substantially in exports to the Federal Republic, significantly in the case of the Netherlands, and moderately concerning the United Kingdom.¹⁷⁵ Narrow bilateralism did not promote exports of manufactured goods, particularly after the most intense period of import restrictions in different countries.

European Conference on the Organisation of Agricultural Markets. In 1951, the IEME registered about \$104 million more from exports than in 1950; AHBE, IEME, box no. 164: "Balanza General de Pagos del año 1951".

¹⁷⁵. Milward: "Una comparación del comercio de exportación español, italiano y portugués, 1950-1959", in Leandro Prados de la Escosura and Vera Zamagni (eds.): El desarrollo económico de la Europa del sur. España e Italia en perspectiva histórica, Madrid [Alianza] 1992.

Nevertheless, I believe that had Spain been able to benefit from the OEEC free lists in the sector, the inadequacy of the Spanish industry to provide those products for which west European import demand grew rapidly during the 1950s, apart from considerations of quality and price, would have reduced substantially any possible gains. The OEEC liberalisation measures would have benefited little the kind of less-essential manufactured goods made in Spain. Institutional factors are important in explaining why Spain did not benefit more from the rapid growth of intra-European trade in the early 1950s. More important, however, is the Spanish trade commodity composition characterised by a low proportion of manufactured goods in total exports and by the predominance of textiles, which could not expand according to the pattern of demand in the industrial countries of Western Europe in favor of engineering, chemicals, and other industries and services.¹⁷⁶ Spain's principal export categories appeared highly concentrated in a few items that remained almost invariable throughout the period here considered: fresh and preserved fruit and vegetables -oranges, dried fruit, bananas, tomatoes, onions, grapes-, nuts, wine, and olive oil, iron ore, pyrites, potash, rosin, cork, mercury, turpentine, tungsten, chemicals, wood and cork manufactures, and, finally, textiles.

In contrast to the stationary situation recorded for Spain, Italy increased substantially its proportion of manufactured goods in its total volume of exports due to its industrial modernisation and its specialisation in engineering, chemical, and clothing sectors (responsible for 63 per cent of the increase in Italian exports between 1950 and 1960). When world import demands were unleashed, Italian industry was more diversified and better equipped to face international competition than the ill-equipped, high-priced, over-protected Spanish industry, whose main aim was to supply the domestic market. These were facts independent of the institutional arrangements governing international trade. The further expansion of this trade continued in a stable trend that was certainly favoured by trade liberalisation and the multilateral settlements mechanism of the EPU. By the end of the 1950s, Spain acquired a noticeably diversified industrial structure. Until the 1960, exports of manufactured goods stagnated. This was in accordance with the long-

¹⁷⁶. A. Maizels: "The Effects of Industrialization on Exports of Primary-Producing Countries", *Kyklos*, vol. 24, 1961, pp. 18-43.

term logic of an industrial import-substitution policy. Time was needed to develop domestic industries to replace imports or produce substitutes and reduce the foreign exchange needs of the Spanish economy, and still longer for import substituting industries to generate new exports of manufactured goods.

A possible explanation for the slow modification of industrial structures and the stagnation of exports of manufactured goods was the low level of import trade. This was due in turn to the low capacity of foreign currency earnings through export trade or tourism and almost non-existent foreign assistance to finance balance-of-payments deficits. The country's import capacity depended, basically, on its potential to export basic commodities. The initial weakness of the Spanish manufacturing sector required a greater contribution from imports than what exports actually financed. The permanent shortage of reserves and the consequent need to link imports to the country's limited foreign currency earnings through export trade and tourism retarded reconstruction, limited industrialisation, forbade modernisation, and delayed the required industrial transformation of the Spanish economy until the late 1960s.¹⁷⁷

In the meanwhile, the closed Spanish market deprived industries of the advantages of specialisation and economies of scale, owing to the protection afforded. Furthermore, the discrimination with respect to the allocation of scarce foreign exchange and capital resources, between export industries and import substitution industries, which was first declared temporary but then forced endlessly, led to the weak promotion of traditional exports. As a result, balance-of-payments difficulties increased in magnitude. If the import substitution policy and export promotion appeared to be competitive instead of complementary activities in raising Spain's GNP over the long period of time, this was

¹⁷⁷. Juergen B. Donges provides the best description of the industrial transformation in Spain and the promotion of exports of manufactured goods during the 1960s: a) "From an Autarchic Towards a Cautiously Outward-Looking Industrialization Policy: The Case of Spain", Weltwirtschaftliches Archiv. Review of World Economics, vol. 107, 1971, pp. 33-73; b) "Una nota sobre las fuentes de crecimiento industrial en España", Revista de Economía Política, no. 59, September-December 1971, pp. 189-98; c) "Spain's Industrial Exports. An Analysis of Demand and Supply Factors", Weltwirtschaftliches Archiv, vol. 108, 1972, pp. 191-232; d) "Returns to Scale and Factor Substitutability in the Spanish Industry", Weltwirtschaftliches Archiv, vol. 108, 1972, pp. 597-607; e) "Shaping Spain's Export Industry", World Development, vol. 1, no. 9, September 1973, pp. 19-37; and f) La industrialización en España. Políticas, logros, perspectivas, Barcelona [Oikos-Tau] 1976.

because Spain could devote only a very limited amount of resources to the production of export commodities.¹⁷⁸ It is important to consider here the structure of the Spanish economy and the effects of certain economic policies on the development of the various industrial sectors rather than any foreign discriminatory devices. To confirm this, however, requires a detailed study of the changes taking place in the country's industrial development and in the pattern of western European demand, which is beyond the scope of this research.

5.4. Financial Diplomacy

Trade was not restricted exclusively by means of tariff and non-tariff barriers, but also by the way payments were arranged. Access to the EPU's automatic system of short-term credits and multilateral off-setting of balances further differentiated the OEEC member-states from Spain in trading terms. While European currencies became transferable against each other, the peseta remained a non-transferable currency for other western European economies until 1961.¹⁷⁹ While the EPU mechanism allowed deficits of one member country with respect to another to be financed with surpluses earned from some third member country, the bilateral clearing system that governed trade between the Spanish monetary area and each and every currency area meant that Spain's deficits with individual countries could not be compensated by surpluses earned elsewhere (except for the Sterling Area), because the surpluses were not necessarily earned in transferable currencies.

¹⁷⁸. The idea of competition between import substitution and export promotion has been borrowed from P.K. Mitra: "Import Substitution and Export Promotion as Means to Industrialization", Economia Internazionale, Vol. 27, no. 3-4, August-November 1974, pp. 524-37, p. 531.

¹⁷⁹. See Fernando Eguidazu and Daniel Álvarez Pastor: "La convertibilidad de la peseta y las cuentas extranjeras de pesetas convertibles", Información Comercial Española, no. 573, May 1981, pp. 77-90.

5.4.1. The EPU versus Spain's Financial Arrangements

Payments difficulties affected Spain's import system more than anything else, including the desire to foster and protect an expanding national manufacturing industry. The import licencing policy of the Spanish Government was determined mainly by the over-riding need to keep imports within export earnings. In the absence of adequate reserves of gold and hard currency, Spain was forced to impose rigid selective controls on imports. With no other means to pay for imports than export earnings, import licencing was based on "essentiality" and on availability of domestic substitutes. This was particularly pressing in years when inadequate rainfall, with resultant crop failures and restricted industrial output, caused import requirements of basic foodstuffs to increase and exportable quantities of agricultural and industrial goods to decline. It was by necessity a restrictive licencing system because no feasible substantial improvement in exchange holdings could alter it. Imports of capital equipment needed for industrial expansion could be increased endlessly. The necessity to conserve exchange might have been a greater incentive to direct licencing, control of foreign exchange transactions, and progressive devaluation of the peseta through a system of multiple exchange rates (rather than official straight devaluation), than any policy of economic self-sufficiency.

The EPU favoured the multilateralisation of payments among OEEC members, unlikely the previous intra-European payments arrangements and the straitjacket of bilateral clearings in which Spain remained. Within the EPU, a country was concerned only with its net position within the Union; it was no longer necessary to attain a strict balance in its individual payments with every single country belonging to the Union. Countries showing a deficit with the Union received automatic credits in EPU units (equivalent to the gold content equal to one United States dollar in 1950) up to a certain amount. Beyond this amount they received some credits and had to pay a part of the deficit in gold. The proportion of gold increased as the cumulated deficit grew; beyond a certain limit, no further credits were granted. The fact that debtors did not have to settle fully in gold and dollars allowed all prospective debtors to sign the EPU agreement. Creditor countries, on the other hand, extended credit to the EPU up to a certain amount of their claims upon the Union; then they received an increasing proportion in gold. For them, the prospects of future exports compensated the risk of some eventual financial loss.

According to the EPU agreement, each country had a quota amounting to 15 per cent of its total value of merchandise trade and invisible transactions with the members of the Union and their dependent territories in 1949 (with few exceptions, i.e. Switzerland and Belgium). National quotas expressed in EPU units of account were the basis used to calculate the automatic credits and gold payments according to a sliding-scale. The initial debt or credit for a value of less than 20 per cent of the size of a given country's quota was covered completely by credit to the debtor country by the Union or to the Union by the creditor country. If the debt or credit position reached a value between 20 per cent and less than 40 per cent of the original quota, the debtor was to receive 16 per cent as credit and be required to settle 4 per in gold or dollars, while the creditor was to provide 10 per cent as credit to the Union and receive 10 per cent in gold or dollars from the Union. This rate was maintained until the creditor country reached a position in which its credit with the Union reached the total amount of its original quota with the Union. On the contrary, debtors running up increasing deficits would have to pay their debts in dollars in an increasing ratio as the deficit mounted, with a decreasing amount of credit until the initial credit/gold-dollars rate was completely reversed. The overall percentages were that debtors should receive and creditors extend 60 per cent of the value of quotas in credit, while paying or receiving the remaining 40 per cent in gold or dollars. The settlement mechanism was an incentive to induce members towards equilibrium at the highest level of commodity trade possible.

Researchers agree that setting up the EPU contributed to the expansion of intra-European trade. This was true particularly because a very high percentage of the total bilateral monthly surpluses and deficits within the EPU were cleared by the automatic offsetting mechanism, reducing substantially gold payments.¹⁸⁰ By the same token, it can be affirmed that the exclusion of Spain from the EPU and the transferability of the

¹⁸⁰. In its first year, of a total of \$3,200 million of transactions, \$2,100 were settled multilaterally leaving only \$1,100 million to be settled by credits and gold payments; MAE, Leg. 3447, exp. 57: "Nota de la Dirección de Organismos Internacionales: La Unión Europea de Pagos", by Román Oyarzún Iñarra, Madrid, 14 February 1953. That the EPU's settlements mechanism allowed a rapid expansion of commodity trade in Western Europe in the 1950s is a common feature in the literature; a last mentioning of it to be found in Milward: "Motives for Currency Convertibility: The Pound and the Deutschmark, 1950-5", in Carl-Ludwig Holtfrerich: Interactions in the World Economy. Perspectives from International Economic History, New York [New York University Press] 1989, pp. 260-84.

European currencies deprived this country of general trade expansion.¹⁸¹

Had Spain joined the OEEC shortly after its conception, had it initiated the move towards progressive trade liberalisation and the consequent reduction of economic interventionism in trade and payments, had it joined the EPU in 1950, and had it been helped by some American contribution to counter its possible chronic debtor position within EPU, Spain might have benefited from EPU membership. However, when the matter was considered, Spain could have financed the average percentage of import liberalisation with extreme difficulty had Spanish OEEC membership forced the fulfillment of this obligation without financial collaboration from the United States or the Union itself. To be beneficial to the Spanish economy, access to the Union would have meant concessions that might have proved incompatible with the Union's philosophy, especially if granted to a later entrant.

5.4.2. Spain within the EPU?

The Spanish economic authorities were aware that the OEEC and EPU constituted the hub around which commercial and financial relations took place in Western Europe, with the exception of Spain. For this reason, and because Spain's trade with EPU represented 60 per cent of its total trade, the EPU received important attention from them. Early in 1951, Spain's access to EPU was presented as "reporting undeniable benefits".¹⁸² The question of whether Spain's access to the EPU should be considered "an objective of Spanish foreign action" was then presented.¹⁸³

Several general circumstances might have favoured such a consideration. A

¹⁸¹. This argument has been used by Angel Viñas et al.: Política comercial exterior en España (1931-1975), 2 vols., Madrid [Banco Exterior de España] 1979, vol. 2, pp. 831 ff.; and Milward, "Una comparación", cit.

¹⁸². MAE, Leg. 5915, exp. 1: Despatch no. 11/51 from Jaime Alba, Economic Counsellor at the Spanish Embassy in London, to Suárez, "La Unión Europea de Pagos y España", 17 January 1951, annex 1 to the despatch no. 86 from the Spanish Embassy in London of 23 January 1951.

¹⁸³. Ibid., Alba to Suanzes, London, 19 January 1951.

significant change of attitude in the Spanish Council of Ministers itself occurred in late December 1950, whereby the exclusion of Spain from the OEEC was considered as a temporary measure not impossible to overcome.¹⁸⁴ The reversal of the December 1946 United Nations' resolution and the announcement of the appointment of ambassadors by most nations were good signs of the changing international attitude concerning Spain. The interest shown by the Americans about opening military negotiations with the Spanish Government might have prompted the belief that part of the deal could be to support Spain's attempt to gain access to the EPU. However, the decisive factor leading to detailed consideration of the matter arose more from the prospects for an increase in European trade, credit, and other financial facilities under the EPU, than from the prospect of dollar aid.

Unfortunately, at the time of the initial calculations there were no figures available on the Spanish balance of payments (as opposed to trade figures). It was not possible, therefore, to give a true picture of Spain's payments position vis-à-vis the OEEC countries and its likely position in the EPU. In the absence of full balance of payments figures, trade returns were taken as a rough guide, and calculations were hypothetical. It was estimated that, in 1949, Spain's total trade with the EPU monetary area amounted to \$484,653,400 (at the official exchange rate of Pts 10.95 to \$1, which might have been unaccepted by the Union). Increasing it by 20 per cent -the approximate amount for invisible transactions stipulated in a great number of the bilateral agreements-, Spain's total volume of visible and invisible transactions with the OEEC area reached the value of \$581,584,080. This way, a theoretical Spanish quota of approximately \$88 million came out, which placed Spain right after Denmark and before Austria and Portugal in the EPU quota-ranking.¹⁸⁵

These figures were approximate in the absence of full information on Spanish invisible payments and receipts, and were cited only as indication of Spain's likely position in the EPU. The balance of payments drafted by the Spanish Institute of Foreign

¹⁸⁴. A report on the OEEC, dated on 22 December 1950 and forwarded to the Council of Ministers; MAE, Leg. 3448, exp. 12.

¹⁸⁵. MAE, Leg. 5915, exp. 1: Alba to Suárez, London, 17 January 1951.

Exchange gave a total value of \$474 million of visible and invisible transactions with OEEC countries and dependent territories in 1949 (excluding dollar trade with Germany and Italy). This resulted in a quota of approximately \$71 (see table 5.4), which was accepted in 1955 by the Spanish delegation to the OEEC.¹⁸⁶ The volume of the national quota was not insignificant. Depending on how much of the quota had been used up in a cumulative positions from the incorporation of the Union, settlements of surpluses and deficits were graduated in a mixture of automatic credits and gold/dollar payments.¹⁸⁷

With a quota of \$88 million, Spain would then be entitled to obtain an automatic and unconditional credit from the EPU of 20 per cent of its quota, i.e. \$17.5 million. This was less than the total amount of authorised bilateral deficits that Spain enjoyed at that time (\$31.781).¹⁸⁸ Using the more realistic quota of \$71 million, the gap between the EPU automatic credits (\$14.2 million) and the bilateral swings widen. This proves the real effort undertaken by the European nations to favour trade and payments relations with Spain to a level which could, at least, partially compensate for the latter's exclusion from EPU. This example and the treatment offered to Spanish exports while the OEEC liberalisation programme applied, shows how the Europeans implemented their original consideration that bilateral means could provide assistance to Spain without uprising political dissent with Spanish membership of any of the organisation presented within the frame of a United Europe.

The total possible credit available to Spain through EPU arrangements could reach 60 per cent of the quota, i.e., \$53 million, conditioned upon the above-mentioned scale

¹⁸⁶. MAE, Leg. 5332, exp. 1: Spanish delegation to the OEEC, "Informe sobre la eventual entrada de España en la Organización Europea de Cooperación Económica", Paris, June 1955.

¹⁸⁷. A \$88 million quota was maintained in the draft response to the original British idea of setting up a working party between Spain and the EPU; MAE, Leg. 10077, exp. 42: "Anteproyecto. Apunte relativo a los diferentes aspectos de una eventual adhesión de España a la EPU o para la negociación de un posible "working arrangement" entre la EPU y España", n/d, most probably 11 April 1951. The British presented the question to the Spanish delegates at the trade talks before the renewal of the bilateral agreement in April 1951. There is no proof, however, that either Sir Hugh Ellis-Rees, the British member of the Managing Board of the EPU, or the British Treasury were ever informed of the Spanish position.

¹⁸⁸. AHBE, IEME, box no.3: S/C, 1 December 1950; at the corresponding dollar exchange rate used by the United Nations's yearbooks of trade statistics.

of payments in gold or dollars to the Union to a maximum of \$35.2 million or 40 per cent of the Spanish quota. This was the maximum financial risk involved in joining the Union, because if Spain surpassed the quota it could ask either to benefit from the capital fund of \$350 million (allotted from the ERP appropriations) that supported the Union, be authorised to adopt special restrictive measures and suspend temporarily the fulfillment of its obligations as a member, or, finally, withdraw from the Union altogether. In strict credit terms, Spain was not necessarily better off within the EPU than carrying on its bilateral swings. The benefit of EPU membership came from the automatic credit provisions and multilateral settlement mechanism which freed trade from the caprices of bilateralism.

The essential question then, was whether the EPU facilities compensated for the necessary changes that Spain's EPU membership would have involved in Spain's economic practices. The policy of the Spanish Administration conflicted in large measure with the obligations that Spain was expected to assume as a member of the OEEC and of the EPU, as regards both domestic economic policy and general trade and payments practices. A considerable technical difficulty in the way of Spain's entry into the OEEC/EPU was its complicated system of multiple exchange controls. While the manipulation of exchange rates for both imports and exports was an infringement on the rules of the International Monetary Fund rather than those of the OEEC itself, it was a clear discriminatory device contrary to OEEC practices.¹⁸⁹ The abandonment of the multiple exchange system would almost certainly entail a fairly drastic devaluation of the peseta, to which the Spanish Government was strongly opposed. The fact that Austria held two exchange rates made the Spanish officials believe that a multiple exchange rate was certainly not at variance with the orthodox practices of member countries.¹⁹⁰ Nevertheless, it was clear to them that an impulse in the simplification of the Spanish

¹⁸⁹. For a brief description of the Spanish multiple exchange rates and other exchange distortions, see IMF: Third Annual Report on Exchange Restrictions, 1952, Washington D.C., pp. 220-24.

¹⁹⁰. MAE, Leg. 10077, exp. 42: "Anteproyecto", cit. For Austria exchange rates see IMF: Second Annual Report on Exchange Restrictions April 1951, Washington D.C., pp. 44-45.

system of special rates of exchange was necessary.¹⁹¹ In fact, when the simplification of exchange rates was adopted in November 1951 (with the implementation of revised regulations concerning the operation of the "free" exchange market established in July 1950), the Spanish Minister of Commerce, Arburúa, manifested the Spanish Administration's interest for the EPU, "the most interesting organisation from the foreign, financial, and commercial points of view."¹⁹² Simplification of exchange rates was welcomed, but the elimination of the system was considered impossible until the Spanish economy could export without producing a chain-in-inflationary effect and maintain, by other means, raw materials' prices low enough to contain inflation.

Intensive trade controls in Spain were counter to the EPU's commitment to trade liberalisation (art. 2 of the agreement). The general objective of export controls was to channel earnings; import controls were to make the best use of available foreign exchange. Given the permanent low level of convertible currency and gold reserves, the Spanish licencing system was, by necessity, discriminatory, i.e., designed to reduce as far as possible the immediate burden on certain reserves. The abolition of quantitative restrictions on Spanish imports in the private sector of trade would have involved the virtual abandonment of the import licencing system in the form in which it was operated. Alba believed that if some countries had access to the Union without having to follow the timetable of trade liberalisation; that if those countries that received the strongest American assistance (i.e., Greece, Austria, and Turkey) and those who received important credit lines (i.e., Germany) could not follow the OEEC programme of liberalisation; that if the rest could implement the 60 per cent stage of liberalisation only after massive injection of American aid, then Spain could not be asked to comply immediately and fully with all the OEEC obligations, particularly without financial assistance.¹⁹³ The question was never posed for discussion, and thus is difficult to know what would have been the position adopted by the OEEC Council. Doubtless some laxity in relation to escape

¹⁹¹. MAE, Leg. 5919, exp. 1: a) Alba to Suárez, London, 17 January 1951; b) "Informe para el Sr. Director. Sobre la Unión Europea y España", Madrid, 22 February 1951; and Leg. 10077, exp. 42: "Anteproyecto", cit.

¹⁹². Speech before the American Chamber of Commerce in Madrid, 12 November 1951, in Arburúa: *Cinco años*, cit., p. 32. For the nature of the November 1951 changes in exchange rates, see IMF, *Third Annual Report*, cit., p. 224.

¹⁹³. MAE, Leg. 5915, exp. 1: Alba to Suárez, London, 17 January 1951.

clauses and exemptions would have been allowed to Spain as a late entrant, but even a minimum compliance with OEEC practices would have involved a radical change in Spanish trade practices. There would have been even more of an effect on imports despite that 30 per cent of Spanish trade was on government account (see table 5.14).

TABLE 5.14

SPAIN'S IMPORT TRADE FROM EPU COUNTRIES AND THEIR DEPENDENT TERRITORIES
UNDER PRIVATE AND GOVERNMENT ACCOUNTS, 1948

CLASS		% over the group private or government accounts	% in total trade on imports	% over total
Agricultural Commodities				
Private Trade	4 603 505,9	31.0	3.98	2.76
Government Trade	10 229 494,5	69.0	20.09	6.15
Total class I	14 833 000,4	100		
Raw Materials				
Private Trade	44 761 753,0	53,0	38.75	26.89
Government Trade	39 732 309,7	47,0	78.03	23.87
Total class II	84 494 062,7	100		
Manufactured Goods				
Private Trade	66 160 661,4	98.6	57.27	39.75
Government Trade	957 545,6	1.4	1.88	0.58
Total class III	67 118 207,0	100		
PRIVATE TRADE	115 525 920,3		100	69.41
GOVERNMENT TRADE*	50 919 349,8		100	30.59
TOTAL TRADE	166 445 270,1			100

Source: AHBE, IEME, box no. 54: "Importación española de los países de la O.E.C.E. Año 1948"; AGA, C/36863: Despach no. 1956, from Spanish delegation to the OEEC, Paris, 30 January 1956; and AGA C/36820: "Importaciones en 1948 procedentes de los países de la UEP y sus zonas monetarias afiliadas". (*) Commodities under Government account were, mainly, wheat and other foodstuffs purchased by the Supply Commissariat, tobacco under State monopoly, petroleum products imported by CAMPSA, cotton, coal, and other raw materials for public enterprises.

Furthermore, the modest surplus with the OEEC as a whole of approximately \$14 million, within a total commodity trade deficit of \$64 million in 1949 (see table 5.4), was based on a very strict import control system, which would have to be greatly modified, if not largely abandoned, were Spain to become a member of OEEC. The year 1950 ended with an overall trade deficit of approximately \$29 million. This was due, however, to a large contraction in imports (by \$41.4 million) and exports (export earnings decreased

by \$6 million).¹⁹⁴ Exports were not performing well. Considering that this might have been due to discrimination in terms of OEEC liberalisation, the key element was the future prospects for an expansion of exports to European markets. Import liberalisation would undoubtedly have increased the total import volume and consequently raised the import bill, because it would have allowed Spanish importers to purchase from the country offering the best conditions and prices disregarding the state of bilateral balances. The answer to the question of whether the Spanish economy, which had been starving for imports during the previous fifteen years, could finance even the slightest rate of import liberalisation could only come from the benefits that the country expected to obtain on the export side.

The extension of import liberalisation to Spanish export commodities, in compensation for Spain liberalising its import trade, proved to be only a partial improvement over the previous situation. Access to the escudo and sterling areas in conditions similar to any OEEC member country was already a reality due to the unilateral declarations of Portugal, the United Kingdom and Ireland. Both monetary areas accounted for 36.4 per cent of Spain's total earnings by exports in 1950 (see table 5.4). The most obvious improvement would come through an expansion of exports to France and the Federal Republic of Germany. Concerning France, it was difficult to increase exports beyond the level reached already, because it was a well protected market that managed to remain as such despite all the efforts made by possible beneficiaries to break French tariff and non-tariff protection in the sector. In the German case, any possible export expansion was quickly eclipsed by the suspension of the liberalisation measures decreed by the Federal Government in February 1951. For Spain's major markets, the extension of an OEEC treatment to its export commodities would have meant little improvement in relation to the previous position.

Concerning the rest of the EPU area, the volume of Spanish exports would have probably increased less than imports from there. The value of Spanish exports had increased owing to the rising world prices of raw materials, and this, while the situation

¹⁹⁴. See table 5.4.

lasted, would have partially mitigated the effect of import liberalisation on the Spanish balance of payments. No one in Madrid forgot, however, that this was a temporary situation, independent from OEEC membership, while liberalisation, once adopted, was a far-lasting process. The OEEC countries were already taking the major part -in some cases the whole- of Spanish exports of industrial raw materials, and had no pressing need to absorb a greater amount of Spanish fruits, wine, and textiles, and other future export prospects. In sum, supposing that the technical difficulties in the way of Spain's entry into OEEC were overcome, the likely effect on its economic relations with the Union would have been to eliminate the surplus situation in Spain's balance of payments in relation to trade with the OEEC area by encouraging Spanish imports from the OEEC countries rather than exports to them. The need for diversifying the economy towards a more industrialised composition arose from the fact that the scope for increasing traditional exports was very limited. The primary products exported by Spain depended on the availability of natural resources and weather conditions, and were characterised by low price, wide demand elasticity, price oscillations, and resources extinction. It is not surprising that the Spanish Administration was unwilling to accept any commitments to carry on the programme for imports liberalisation that a joint OEEC/EPU membership entailed.¹⁹⁵

The economic "cost" of any Spanish access to EPU was unforeseeable but, undoubtedly, larger than the original quota attributed to Spain on the basis of its 1949 trade values, unless it was agreed to permit Spain to qualify for aid as a special case. What aid Spain might have received within the EPU directly from the United States was difficult to estimate. In the Spanish minds, if American aid had been necessary to permit final agreement on the actual terms of the EPU, some help should also be granted to Spain to enlarge its payment capacity (or its deficit position).

With \$350 million from congressional ERP appropriations, the United States Government contributed to the EPU's initial working capital (completing the initial

¹⁹⁵. MAE, Leg. 10077, exp. 42: Alba to Suárez, Madrid, 11 April 1951, after meeting the Director-General of Economic Policy and of Foreign Exchange: "Anteproyecto", cit.

deposits of the different countries' own currencies), and provided a further \$150 million for special aid to the United Kingdom to offset any possible gold and dollar losses incurred in allowing the European accumulated sterling balances to be used in multilateral settlements. Belgium, the United Kingdom, and Sweden, who were likely to be persistent creditors, were allocated initial debit balances receiving conditional dollar aid for a total amount of \$189 million as compensation for the grants they were about to make to the other countries. Finally, initial credit balances were allotted by the Government of the United States to prospective debtors to counterpart initial debit balances during the period from June 1950 (when the EPU came retrospectively into effect) to 30 June 1951, according to article 10 of the EPU agreement (\$314 million, of which \$279 million was in the form of grants).

Initial credit balances in the form of grants were allotted to Greece (\$115 million), Austria (\$80 million), Norway (\$50 million), the Netherlands (\$30 million), and Iceland (\$4 million) and, in the form of long-term loans (through Marshall Aid allocations), to Turkey (\$25 million) and, again, Norway (\$10 million). Initial debit balances oscillated between 9 and 255 per cent of the original quotas of the fortunate countries.¹⁹⁶ If political factors had been important inputs in the determination of the initial credit balances, undoubtedly also important was the prospective "cost" of implementing trade liberalisation measures. According to this second pattern, it was obvious to Spanish officials that Spain should move towards the Greek end of the spectrum, though no exact amounts were given.

The British Economic Intelligence Department (henceforth, EID) made an assessment of the entry of Spain into the OEEC/EPU. They argued that aid to Spain -both direct from the United States and in the way of EPU facilities- would probably be about \$112.5 million. Since British officials had calculated that, on the basis of 1949 trade figures, Spain was to receive a quota of about \$55 million, the amount corresponding to

¹⁹⁶. The original quotas for these same countries were the following in millions of units of account: Iceland 15, Greece 45, Turkey 50, Austria 70, Norway 200, and the Netherlands 330; HMSO, Cmd. 8064, p. 11.

direct American aid would have then been about \$57.5 million.¹⁹⁷ The possible amount of American aid to back Spain's EPU membership was similar to the total amount attributed by the British to the credits granted to Spain by United States commercial banks plus the Export-Import Bank administered loans. The actual loans granted by private United States banks were much further reduced (see table 4.1) and the Eximbank's loans have not yet started to be effective.¹⁹⁸ It is significant to notice this, because, had it been otherwise, there would have been support for the hypothesis that by granting loans without requesting any degree of political and economic liberalisation, the Americans were responsible for Franco's lack of interest in adopting the necessary degree of liberalisation to obtain EPU credits.

There are no grounds to sustain the contention that the Spanish Government preferred to obtain dollar aid by means of bilateral negotiations with the United States, because the EPU credits would have involved substantial modification of economic practices. It was far from obvious that direct American aid, which the Spanish Government was still positively hoping for in return for the bases, would necessarily come at a cost considered more bearable than the OEEC's price. By March 1951, the Spanish Government's experience in negotiating the Eximbank loan made it perfectly clear that the conditions for American aid to Spain outside the OEEC could involve the same unpleasant changes in Spain's economic practices as those involved in the OEEC rules and obligations. Without major changes in political and economic terms, it could expect no major direct economic assistance from the United States in the short term.

Initially, it was argued that the granting of American aid through the OEEC framework required Spanish membership in the OEEC and EPU; this was opposed by most of the OEEC member-states. Any such Spanish participation required unanimous

¹⁹⁷. PRO, FO 371/96195: "Possible entry of Spain into OEEC", a top secret memorandum drafted by the EID, 10 March 1951, sent to the Mutual Aid and the Western Departments for internal discussion. The trade returns used by the British were defective for this purpose in that they did not include trade between Spanish overseas territories and the rest of the world.

¹⁹⁸. On the one side, the loans granted by the Chase National Bank, the National City Bank and the Bank of New York amounted to \$31.9 million up to the end of 1951. On the other side, it was only in May 1951 that the IEME could grant the first authorisations; see chapter four, table 4.1 and p. 287.

consent of participating countries; this was unlikely to be achieved in the short term.¹⁹⁹ Nevertheless, had the Spanish Government decided to undergo a change of heart and genuinely liberalise in economic terms, there was little economic inducement for the United States authorities to extend aid to Spain through the OEEC rather than to increase their own bargaining position in order to be granted the desired military facilities and granting-conditions. The initial steps in the negotiations for bases had made this clear. The truth was that the Spanish Administration had not other alternative except to obtain economic assistance on a bilateral basis subject to the unilateral conditions imposed by the United States negotiators.

Spain's potential contribution to the OEEC was not great, but in itself was not a deterrent to Spain's admission into OEEC membership. In general, an extension of the area of multilateral trade and payments might have been welcomed and, there was no doubt that the Spanish adherence to OEEC was a step in the right direction. For individual countries, some benefit could accrue from the fact that, insofar as Spain liberalised imports, it would no longer be able to discriminate unilaterally against main continental competitors. However, it appeared very likely that Spain would be a structural debtor in EPU, at least for some time, and be unable to liberalise very far. In that event, Spain's free list would have been unlikely to contain any significant number of the goods that then accounted for the greater part of the difficulties that most Western European nations were having with the Spanish authorities. The Spanish Government could not be expected to trade with OEEC member-countries on a basis significantly different than bilaterally. Non-discrimination by means of a system of global quotas for imports from the EPU area of goods in the non-liberalised sector might have proved to be impossible to implement.

¹⁹⁹. In September 1951, the American Embassy in Spain and the ECA Temporary Economic Survey Group recommended Spanish participation in the EPU as a device to accelerate Spanish economic recovery. The State Department reminded them that in order to benefit from the EPU arrangement, OEEC membership -which appeared to them highly unprovable- was required; FRUS, 1951, IV, part 1, the Chargé in Spain, John Wesley Jones (December 1950-February 1951), to Secretary of State Dean Acheson, Madrid, 13 September, and the Acting Secretary of State, James E. Webb, to the Embassy, Washington, 18 September, pp. 851 and 853, respectively. The Europeans understood that Spain's OEEC membership would take place once a prior economic and political liberalisation had taken place in Spain; PRO, FO 371/96195: R.M. Saner to R.P. Heppel, 1st Secretary of the British Embassy in Madrid after January, 28 May 1951.

The opening of the Spanish market and the increase in Spanish purchasing from Western Europe due to the financial backing of EPU did not present any serious advantage given the low purchasing power of the Spanish economy in comparative terms with the rest of Western Europe. Spain's natural tendency to develop a structural deficit position revealed that the opening of the Spanish economy would be a long-term process, before reaching something similar to the average level of trade liberalisation elsewhere in the OEEC markets. It was also clear that, if obliged to abandon the elaborate system of import controls and licencing on their present discriminatory basis, Spain, a non-GATT member, would have most probably updated its tariff levels for domestic protection, as a new recruit to the high tariff camp in which the OEEC was unarmed to act. From the trading point of view, therefore, the only effect of the Spaniards joining the OEEC and EPU would have been, at best, to subject them to the usual pressure from the OEEC to bring their economy into a state in which they could fulfil the obligations of membership. This was too small a reward for the distortions that Spain's closer contacts with OEEC/EPU without the sufficiently completed political rapprochement might have produced within the OEEC itself and within different governing coalitions in some countries.

The EID believed that there was only one benefit and immediate interest likely to accrue to the OEEC countries from Spain's accession to the OEEC. This was additional pressure for the redirection of the investment plans of the Spanish Government into the mining and extractive industries to help overcome the scarcity of raw materials (which were at the time largely exported to the OEEC markets) for their new defense programmes after the beginning of the Korean War. Any priority of investment given to agriculture in order to eliminate the main adverse factor in the balance of trade and to act as an incentive to dollar savings, or any long-term social or economic investment programmes, i.e., electricity supply, transport, or heavy industry, were of no benefit to OEEC countries.²⁰⁰

The possibilities of expanding mineral and metal production in Spain, however,

²⁰⁰. PRO, FO 371/96195: "Possible Entry of Spain into OEEC", top secret report dated 10 March 1951.

were rather limited due to the expenditures involved. Large scale development of Spanish mineral potentials required very heavy capital outlays and the employment of foreign technicians and engineers. A programme of this sort could not be carried out except by the joint action of the United States, Spain, the OEEC countries, and international private companies. This would require a complete alteration of the Spanish Government's policy to attract foreign investment. Government regulations affecting foreign investment were not limited to the 25 per cent limit for foreign capital in new firms and the prohibition of foreign control of management. Labour regulations that forced the maintenance of personnel on the pay-roll in periods when production was low because of power shortages or other bottlenecks; foreign exchange rates and exchange controls that made production for sale on the world markets unprofitable and the procurement of foreign supplies very difficult; and the threat of official price controls on export trade affected powerfully foreign investments.

The scope of a general modification of this economic policy was rather limited. The first two regulations enumerated above might have been more easily modifiable by the Spanish Government than granting foreign firms employment and foreign exchange privileges not enjoyed by Spanish firms. Universal liberalisation implied grave economic problems. The stabilisation of employment in periods of reduced production was a major device for protecting the underpaid wage earners. The only alternative was the expansion of unemployment benefits which would have to be met from government funds, thus increasing the inflationary deficit. A system of realistic flexible foreign exchange rates necessary to give market security to exporters could scarcely be established as long as the peseta was likely, at any time, to lose its purchasing power rapidly as the result of inflation.

Even if one accepted the fact that the Spanish Administration could consent to a redirection of investment without major economic assistance, it could not be assumed that any future expansion of raw materials' output would necessarily provide a correspondingly larger exportable surplus. When foreign demand and international prices rose, impetus was also given to sustain a general expansion of Spanish industrial activity. No great increases in the output of iron ore in Spain was expected and exports from Spanish Morocco of Riff

mines, although increasing slightly, were limited after June 1950 by the expanding requirements of the Spanish iron and steel industry. Despite Spanish industrialisation plans, there was little likelihood that Spain's mineral exports will ever again attain the proportion and relative importance which they held in 1929. Only a larger and more efficient production at reasonable costs could have permitted increased exports. Furthermore, international distribution of any surpluses would be governed largely by the United States production and requirements. A majority of OEEC countries might have argued that any expansion of trade in certain Spanish raw materials could well be achieved under the current trading arrangements and without the need to incorporate Spain in the OEEC.

Early in May 1951, the Spanish Director-General of Economic Policy suspended the hypothesis of Spanish EPU membership because of its unpredictable future political consequences (e.g., the EPU telling Spain how to behave financially), at least until new information could be provided by the IEME and other financial and commercial authorities.²⁰¹ At the same time, the debate about Spain joining the OEEC and the EPU ceased also in the different governments most interested in it. In October 1952, rumours from Paris announced that Spanish membership in the EPU was to be discussed; the Spanish Ambassador denied it.²⁰² Portugal had quietly mentioned the convenience of Spain taking part in the EPU, but never requested it officially. Germany had played with the idea for some time, but it did not go beyond some talks in February 1953.²⁰³ The Spaniards remained non-committal about the matter until a real possibility for joining the OEEC appeared.²⁰⁴

As had been the situation in 1951, by the spring of 1953, the Europeans had

²⁰¹. Handwritten note dated 8 May 1951 on MAE, Leg. 5915, exp. 1: Under-Secretariat of Foreign Economy and Commerce, Directorate General of Economic Policy, "Nota para el Señor Director. Incorporación de España a la Unión Europea de Pagos", Madrid, 5 May 1951.

²⁰². MAE, Leg. 3446, exp. 57: "Nota de la Dirección de Organismos Internacionales. La Unión Europea de Pagos", by Román Oyarzún, Madrid, 14 February 1953.

²⁰³. See below, p. 387.

²⁰⁴. See chapter seven, section 7.5.2, pp. 593 ff.

granted to Spain automatic credits at a scale partially to compensate for the Spanish exclusion from the most direct benefits of the EPU. A report on Spain and the EPU drafted in April 1953, established the Spanish quota at \$60 millions on the basis of 1948 which entitled Spain to receive, after using up its quota, \$36 million in credits and pay \$24 million in gold and/or dollars. According to this report, bargaining the base year for Spain, a quota near \$100 million could be obtained, which implied a maximum credit of \$60 million and gold and dollar settlements of \$40.²⁰⁵ The \$88 million quota used in 1951 on a 1949 basis would have provided credits for a minimum of \$52.8. In sum, according to all possible combinations of years, the EPU would allow a maximum amount of credit to Spain of \$52.8 million against the \$61.6 million provided by bilateral agreements with EPU members (see table 5.15).

TABLE 5.15
SWINGS ALLOWED TO SPAIN BY WESTERN EUROPE, APRIL 1953
(in dollars)

FRG	20,000,000	Netherlands	2,105,000
United Kingdom	11,200,000*	Portugal	1,739,000
France	8,000,000	Norway	1,400,000
Denmark	3,623,000	Finland	1,000,000
Belgium	3,000,000	Sweden	967,100
Turkey	3,000,000*	Greece	500,000
Italy	2,500,000	Iceland	280,000
Switzerland	2,310,000	TOTAL	61,624,100

Source: MAE, Leg. 6285, exp. 3, carp. 4: "Plafonds de Acuerdos Comerciales Vigentes con países de Europa, America y Oceanía", José Antonio Montes, IEME Vice-Chairman, to Isaac García del Valle, Director-General of Economic Policy at the Spanish Ministry of Foreign Affairs, Madrid, 24 April 1953. (*) Refers to maximum facilities, though these countries had expressed their desire to reduce their individual credit swings: the British authorities wanted to reduce from £4 million to £3 million, Turkey from \$3 million to \$1.5 million, and Portugal too but no figures were given; MAE, Leg. 5912, exp. 2: "Informe sobre la Unión Europea de Pagos (U.E.P.)", Madrid, 25 April 1953.

In Spanish minds, the conclusion was obvious: there was no immediate advantage to joining EPU when the liberalisation of import trade would worsen Spain's balance of payments to an extent higher than all possible credits from EPU or the difference between these and the swing credits available at the time from the EPU countries. Although it seemed improbable that Spain would be forced to reach the 60 per cent target, when

²⁰⁵. MAE, Leg. 5915, exp. 2: "Informe sobre la Unión Europea de Pagos (U.E.P.)", 25 April 1953. Although the author of the report explained that EPU quotas had 1949 as the basis-year and liberalisation percentages for 1948 (except for Germany which was 1949), he adopted 1948 to calculate the Spanish quota in the EPU.

Austria was allowed not to liberalise and the United Kingdom reached 46 per cent in February 1953, even the Spanish proposal for their own schedule starting with 30 per cent in each of the three sectors, would have greatly affected the import bill. Again, as in 1951, the Spanish attitude was much influenced by the belief that Spain's export trade would not substantially benefit from liberalisation because it had reached its volume limits already (export values would still increase because exporters would not benefit from compensation operations and other mechanisms whereby they sold at low cost to compensate with high earning on import commodities purchased with those same earnings). An additional problem, pointed out in this report, was that Spain would lose "the bargaining power that has given some good results before when countries are forced to buy Spanish products in order for Spain to buy their goods".²⁰⁶ In other words, as a debtor, Spain would lose some of the advantages of import discrimination and bilateral bargaining.

The Americans shared the conviction that commercial credits were the alternative to Spain's OEEC/EPU membership. When, in April 1954, Minister of Commerce Arburúa solicited American financial aid to move closer towards the OEEC liberalisation practices, the Spanish authorities were informed by the Director of the Foreign Operations Administration, Harold E. Stassen, that the United States rejected the offer. However, it had decided to enlist the participation of Germany, the United Kingdom, the Netherlands, and France in long-term development credits to Spain for the purchase of capital goods and the avoidance of excessive short-term owing credits.²⁰⁷ Despite this American interest, France and Germany continued to insist on short-term credits. France demanded dollar payments for fertiliser purchases from French North Africa and Germany charged interest on the swing debit beyond the interest paid to German suppliers of machinery.²⁰⁸ Only the United Kingdom increased the amount of the swing from \$4.2

²⁰⁶. *Ibid.*

²⁰⁷. *FRUS*, 1952-1954, VI, part 2, Record of meeting between Arburúa and certain United States representatives, and "Memorandum of Conversation [with Arburúa]" by Stassen, Washington, 20 April 1954, pp. 1974-77.

²⁰⁸. *Ibid.*, Stassen's memoranda to the Secretary of State John Foster Dulles and of conversation with Arburúa [on 28 and 29 October], Washington, 1 November, and Madrid, 12 November 1954, pp. 1994 and 1998, respectively.

million in 1953 to \$7 million in 1954.²⁰⁹

The global amount of credit provided by bilateral agreements with the OEEC countries could hardly compensate for Spain's lack of EPU membership. Spain's payments difficulties continued to be the major obstacle for the expansion of trade; bilateral trade credits continued to shape the flow of the Spanish trade more intensively than any other factor, including price and quality of the products to be purchased (most particularly during the period of low agricultural exports). Reciprocal credits were isolated actions and altogether a very limited and instable solution. In April 1951, overall swap facilities amounted to \$31.781 million.²¹⁰ That year, with a surplus of \$35.2 million in trade balance, Spain had to make payments in gold for a total value of \$13 million to settle debts with individual countries.²¹¹ From this perspective, EPU credit facilities were far from being inconvenient. Two years later, commercial credits and overdraft facilities had increased to \$61.6 million, but they decreased again in October 1954 to approximately \$50 million.²¹²

By its exclusion from the EPU, Spain remained in the straitjacket of bilateral clearings, which implied that as the bilateral credit lines were exhausted and the creditor was not willing to extend further credit, import licence applications were turned down and trade stagnated. Very rarely was Spain willing to pay gold in order to continue importing from a country whose credit facilities had already been drained. Trade with the specific country was put into suspense and purchases were transferred to a different country - which did not necessarily offer the same commodities at better prices or at better conditions- whose trade credit was still unconsumed. Spanish exporters were forced to accept disadvantageous trade terms in order to obtain needed imports, although better

²⁰⁹. AGA, C/36622: OEEC, WP no. 11 of the Council, "Association of Spain in the work of the Organisation. Balance of Payments with Member Countries" various years, C/WP11/W(56) 6 and 15, Paris, 23 May and 6 June 1956, on the basis of information submitted by the Spanish delegation.

²¹⁰. See below, p. 429.

²¹¹. AGA, A/6815: National Institute for Agricultural Research: "Aspectos económicos de la Conferencia Europea sobre la Organización de Mercados Agrícolas", s/f.

²¹². MAE, Leg. 10078, exp. 21: Report entitled "Posibilidad de ingreso de España en la Unión Europea de Pagos" for Argüelles, Madrid, 11 October 1954.

terms could have been obtained from third countries. Conversely, when importing, the country was forced to accept in payment goods of limited usefulness to its economy in order to balance the bilateral account. Due to Spain's non-EPU membership, the granting of import licences to individual countries continued to be influenced largely by the availability of a specific currency at any given time.

5.5. Conclusions

The purpose of this chapter was to show how Spanish bilateralism survived and behaved within a context moving progressively towards free trade and multilateral payments in increasing economic interdependence. The expected collapse of Spain's bilateral trade was avoided due to the decisive attitude of Spain's main trading partners in Western Europe -France, the Federal Republic of Germany, and, most particularly, the United Kingdom- to sustain their trade with Spain.

The role of the British in providing a non-discriminatory treatment to Spain was essential because the latter could use its sterling earnings to make payments to a large number of countries. The British authorities (both Labour and Conservative, despite the former's ideological aversion to the Franco regime) refused to discriminate against Spanish exports. As part of their general commercial policy, the British were determined to maintain trade under any circumstances. This was stated right after the war, when the international pressure was great; it was maintained despite the great difficulties encountered in running the bilateral agreements. It was preserved when the OEEC liberalisation applied; confirmed when import restrictions were imposed due to balance-of-payments difficulties; and, finally, reaffirmed after 1953, when the Spanish import authorities failed to comply with licencing British less essentials at the levels agreed upon. The arguments in favour of adopting a strong line with Spain to force the fulfillment of formal undertakings under the bilateral agreements were persuasive, but never firm enough to impose the adoption of measures such as removing Spain from the transferable accounts area or refusing to grant OGL's to Spanish export products. With one exception and only temporarily, sanctions against Spain raised the objections of the different

departments of the British administration. In October 1953, when the British authorities excluded Spain from OGL's for grapes and nuts, the bilateral quotas were sufficient to allow all feasible trade. The British have extended to Spain complete OEEC treatment since June 1954.

The early trade liberalisation measures among OEEC countries had a rather limited effect on the pattern of bilateral trade between Spain and its main OEEC trade partners. The effects of Spanish exclusion from the general pattern of trade liberalisation in the early 1950s were far from homogenous in all three sectors -agricultural products, raw materials, and manufactured goods- simply because trade liberalisation had a different impact on the different groups of goods. Spain's main exports faced, generally, a situation similar to that of the OEEC countries because the OEEC liberalisation programme remained ineffective in agricultural trade or was extended to non-member countries in the case of trade of raw materials. The British, French, and German Governments applied to Spain article 1 of the Code of Liberalisation of Trade which stated that any member-state was free to determine the nature and degree of freedom in its economic and financial relations with the outside world in the light of its individual situation and, thus, if it so desired, could take measures of liberalisation of trade with respect to a non-member country.

That Spain escaped severe discrimination in the process of trade liberalisation, particularly in agricultural trade, was significant because the largest consumers of Spain's agricultural produce were the OEEC countries (61 per cent of total agricultural exports in the period from 1949 to 1953), providing the Spanish economy with 24 per cent of total foreign currency receipts registered in current and capital accounts during the same period. This situation represents the necessary background from which to understand the Spanish Administration's reaction when the idea of organising European agricultural markets following integrationist schemes was launched and discussed (see chapter seven).

Considering the narrow margins within which the policy was applied, the Franco Administration was masterful in adjusting to new and uncertain political and economic variables during the first post-World War decade. It was quick to benefit from any

favourable circumstance created by the clash of particular interests in confrontation within and among nations involved in the ocean of economic cooperation in which Spain sailed. Basically, Spain benefited from the fact that bilateralism could not be eliminated completely because non-discrimination was never fully extended.

This is not so important when considered alone, but it is significant as a rejection of the idea that Spanish bilateralism in trade was an undisputable and permanent breach with Europe's "free trade system". Spanish literature for the period concentrates on placing Spain against a uniformed block formed by countries propelled by the experiences of the 1930s and the disasters of the war to solve their common problems together in a continuum between 1945 and 1957. Certain elements such as the predominance of bilateral trade in Western Europe up to 1953; the failure of the Americans to push Western Europeans from the "shopping list" approach to common standpoints at the time of the CEEC; the limits of trade liberalisation among OEEC countries and its set-backs due to balance-of-payments difficulties in the early 1950s; the permanence of tariffs as effective means for domestic protection once non-tariff protection was removed; the late implementation of a multilateral payments mechanism; the various guillotined initiatives to move quicker in the removal of all forms of trade discrimination seemed to have disappeared from this picture.²¹³

Nevertheless, Spain's non-participation in the OEEC and EPU schemes had serious economic disadvantages. On the one hand, the settlement of inconvertible balances remained Spain's main trade obstacle. Spain's financial resources, apart from export earnings, few loans, and reduced American aid, consisted basically in the limits of reciprocal swings and overdraft facilities provided by payments agreements with Western European countries to finance short-term deficits in bilateral trade. As a debtor, Spain

²¹³. A first and timid attempt to perceive Spain's commercial position in a less deterministic way for the second half of the 1940s is José María Serrano Sanz: "Un siglo de política comercial española en perspectiva", in Juan Velarde, José Luis García Delgado and A. Pedreño (eds.): El sector exterior de la economía española. Doce estudios, Madrid [Economistas] 1988, pp. 13-52, in particular pp. 31 ff. The subsequent revision of this article, "El proteccionismo y el desarrollo económico en la Restauración. Reflexiones para un debate", Revista de Historia Económica, no. 1, 1989, pp. 133-56, eliminated references to the 1940s and 1950s.

could accumulate inconvertible debit balances only up to the limits of the agreed swings; the remainder of the balance was payable to the creditor in gold and dollars. The inability or unwillingness to take more Spanish goods, and thus supply the Spanish authorities with additional currency with which to buy more from the given partner, led automatically to the contraction of bilateral trade.

On the other hand, the Spanish Ministry of Commerce had to limit the total amount of imports from each and every monetary area to the exchange resources available at a given time; it had to allocate foreign exchange resources to the satisfaction of those needs regarded by it as the most essential. The fact that Spain needed to seek a structural balance in its individual payments, without the availability of credit facilities of the EPU, did not facilitate the relaxation of trade and foreign exchange controls. The extent by which licences and quantitative restrictions served to protect national industries was related to the distortion of trade practices imposed by the permanent lack of reserves of gold and convertible currencies in relation to the import needs of the Spanish economy. The obsession with saving foreign exchange made trade regulations more concerned with providing import supply to develop subsequent exports than with promoting traditional exports. Altogether this tended to reduce the total volume of trade. The Spanish Administration created a vicious circle whereby imports were restricted due to the lack of foreign currency while the exchange rate handicapped exports, thus diminishing foreign currency earnings. In 1947, the Spanish Government pleaded for foreign assistance in order to break this vicious circle. By the end of the period covered by this research, the circle had grown even more vicious, the basic needs of the Spanish economy had not changed, while the set of economic interests around protectionism and isolationism became even deeper rooted. Only a gradual expansion of production would have permitted the Spanish Government to progress toward the implementation of freer trading practices.

Having access to OEEC markets through an extension of the liberalisation measures did not automatically mean an export increase. Spain benefited from these circumstances only when domestic production, considerations about prices and quality, marketing and payments conditions, as well as bilateral arrangements, allowed. Although this chapter has emphasised what could be labelled the foreign constraints on the

expansion of Spain's trade, by pointing at a somewhat non-discriminatory treatment, it cannot be left aside that strong domestic constraints for the promotion of trade existed in Spain. Devaluation, followed by a relaxation of export controls, unification of exchange rates, and the elimination of the extreme features of state intervention were envisaged as long-term strategies. In the short-run, Spain suffered the consequences of its economic and commercial practices rather than the discriminatory devices raised by the OEEC partners.

The extension of liberalisation to Spain was neither complete nor automatic, with the result that Spain always ran behind the liberalisation schedule. Western European countries used the possibility of extending OEEC liberalisation measures to Spain as an economic bargaining counter at the time of discussions over bilateral trade deals. When the Spanish economic authorities succeeded in obtaining more favourable treatment in terms of trade liberalisation from any of the OEEC commercial partners, it was already too late, because a new step towards liberalisation had been adopted and not extended to Spain. This situation, in which Spain benefited only from non-fulfillments and breaches of declared intentions, could provide no stability upon which to build long-term strategies of growth. The full extension to Spanish exports of those measures adopted for the OEEC programmes was an important bargaining tool that was never relinquished completely by the Western European nations.

Bilateral trade worked relatively well as an emergency short-run measure while intra-European trade was distorted by controls. At that time, Spain's bilateralism proved to be expansive rather than restrictive, like the intra-European bilateral agreements of the immediate postwar period. It made possible exchanges of goods that would not otherwise have taken place. But, it could not be a long-term solution when intra-European trade was liberated from what has been called the "stranglehold of bilateralism".²¹⁴ As trade liberalisation and multilateral payments extended, Spain's trade was severely affected because of the relatively small proportion of essential basic commodities among Spain's exportable surpluses and the degree of its dependence upon imports for basic industries. Import trade, apart from the years from 1952 to 1954, was in almost permanent

²¹⁴. Griffiths, "The Stranglehold of Bilateralism", cit.

stagnation, whereas exports expanded in 1951 and then decreased (see tables 1, 2 and 4.1). The year 1950, when the OEEC liberalisation programme and the EPU were effectively working before the full effects of the Korean War had major disturbing effects on the balance of payments, showed already a bad export performance for Spain. However, when protectionism and import restrictions returned, the Spanish authorities effectively maintained what was a crisis and emergency device, and did not consider long-term devices.

Chapter 6:

<<SCHUMANIA>>^{*} AND THE SUPPLY OF SPAIN'S HEAVY INDUSTRY

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6.1. Introduction

The Schuman Plan has merited the unanimous attention of scholars and constitutes a watershed in the literature on European affairs. On 9 May 1950, the French Minister of Foreign Affairs, Robert Schuman, made the proposal considered as the first step towards the creation of a new Europe: an integrated pool of coal and steel resources under an independent "high authority", based on an understanding between France and Germany, in an organisation open to other countries in Europe. Making former irreconcilable enemies to join efforts in the economic sector directly linked to war capacity was to make any future war between the two nations not feasible and placing the joint resources under a supranational authority implied an equal surrender of national sovereignty.¹

*. The expression <<Schumania>> refers to the unpredictable (at the time) institutional result of the Schuman Plan. It has been borrowed from J. Driscoll: "Early days in Schumania" and "Association with Schumania", The Journal of Industrial Economics, vol. 2, no. 2, April 1954, pp. 89-117, and vol. 3, no. 2, April 1955, pp. 79-110, respectively.

¹. For the text of Schuman's declaration see Margaret Carlyle (ed.): Documents on International Affairs 1949-1950, London [Oxford University Press] 1953, pp. 315-17.

Jean Baptiste Nicolas Robert Schuman (1886-1963), lawyer, praised by the literature on European integration as a father of Europe after having proposed the reunification of his fatherland and country of adoption through a common use of coal and steel resources. A German citizen before 1919 and a French citizen and politician afterwards, he is presented as having a pro-European mind apart from nationalism. While he was Prime Minister (November 1947-July 1948) the Spanish-French common border reopened. Foreign minister between July 1948 and January 1952 and from March 1952 to January 1953. He was deeply Catholic with an early admiration for Franco's "rigorous logic" regarding the Church. One of Schuman's biographers, Raymond Poidevin, explains that Schuman could not hesitate between a republican regime which persecuted the Church in Spain and Franco's regime which praised her; Robert Schuman homme d'État 1886-1963, Paris [Imprimerie nationale] 1986, p. 126. He was defined by Ernest Bevin, in the latter's usual frank style, as "a devout Roman Catholic, who at times had shown a disposition to defer to the Vatican in his attitude towards Spain." PRO, FO 371/96181: "Record of conversation between the Secretary of State and Sir John Balfour [appointed British Ambassador to Spain], London, 28 February 1951". French Catholics

The works that explain European integration from the deterministic perspective of ideals and personalities have made Schuman's proposal a milestone in the democratic march towards a European Union.² Within this highly political framework, research on Spain and the Schuman Plan could have no place: Spain's democratic deficit impeded any effective participation.³ Yet, Spain's non membership of the European Coal and Steel Community (henceforth, ECSC) does not exhaust historical research about Spain and the Schuman Plan.

Ideological strait-jackets have frustrated any assessment of the effects of Spain's non-participation in the Schuman Plan. During the Franco era, the Christian roots of western civilisation were presented to prove the artificiality of the exclusion from European integration of a country with a clear Christian heritage.⁴ There was nothing that

had proposed to initiate a canonisation process on his behalf.

². For a critical assessment of the different historical approaches to "integration" see Richard T. Griffiths: "A la recherche des débuts de l'intégration européenne" and Alan S. Milward: "États-Nations et Communauté: le paradoxe de l'Europe?", both in *Revue de synthèse*, 4th series, no. 3, July-September 1990, pp. 235-52 and 253-70, respectively. The deterministic and personality-based lines of interpretation have been exclusively cultivated in Spain: Emilio de Figueroa: "Unificación económica de Europa", *Anales de Economía*, vol. 11, no. 43, July-September 1951, pp. 383-412; Ramón Tamames: *Formación y desarrollo del Mercado Común Europeo*, Madrid [Iber-Amer, S.A.] 1965; Alberto José Lleónart y Amselem: "Veinte años después del tratado CECA: del equilibrio político al equilibrio económico", *Revista de Política Internacional*, no. 117, September-October 1971, pp. 89-112; Antonio Truyol Serra: *La integración Europea. Idea y Realidad*, Madrid [Tecnos] 1972; Rafael de Juan y Peñalosa: "La Europa por hacer. Homenaje a Jean Monnet en el centenario de su nacimiento", *Información Comercial Española*, no. 660-61, August-September 1988, pp. 209-20; and Manuel Medina Ortega: "El desarrollo de la idea europea. De Carlomagno a la Comunidad Europea", *Sistema*, no. 86-87, November 1988, 45-51.

³. i.e., Santiago Torres Bernárdez: "La participación de España en la organización de Europa. Dificultades, realizaciones y posibilidades", *Política Internacional*, no. 35, February 1958, pp. 9-37, pp. 24-25; Juan Ortega Galán: "Proceso de aislamiento e incorporación de España a la organización internacional (1944-1959). Factores que ejercieron mayor influencia. Consideración específica de la incorporación a la OECE", doctoral thesis, Universidad de Málaga, May 1978; and, Angel Viñas et al.: *Política comercial exterior en España (1931-1975)*, 2 vols., Madrid [Banco Exterior de España] 1979, vol. I, p. 644.

⁴. José María Trias de Bes y Girón: "El progreso de la unión europea", and José María Yanguas Messia: "Tres aspectos de la Unión Europea", both in Real Academia de Ciencias Morales y Políticas: *La Unidad de Europa*, Madrid [C. Bermejo Impresor] 1949, pp. 7-18 and 21-35; Carlos Vossler: *España y Europa*, Madrid [Instituto de Estudios Políticos] 1951; contributions to *Arbor. Revista General de Investigación y Cultura*, Madrid [CSIC], between 1950 and 1957; Alberto Martín Artajo: "El Santo de la unidad europea", *Punta Europa*, nos. 23-24, November-December 1957, pp. 76 ff.; and Jesús López Medel: "España y Europa", *Revista de Estudios Políticos*, no. 180, November-December 1971, pp. 95-112.

the Spaniards could expect from agreements limited to "physical" (coal and steel) rather than spiritual matters.⁵ For daily bread-and-butter ideology during the Franco era, Spain represented the vanguard of the authentic European ideal -that of Christian unity, and the past splendour counterbalanced the then decadence and isolation.⁶

The functional approach to the European initiatives, adopted by some intellectuals opposing Franco, accentuated the inefficient framework of the nation-state in an interdependent world, and served to differentiate by omission Spain from the core of Western Europe.⁷ The few economic studies undertaken then departed from the unrealistic assumption of Spain's participation in the ECSC, and produced the conviction that the Spanish Government made no attempt to join either the Paris Conference on the Schuman Plan or the ECSC (had it been able to do so!) because of the damage that it would have created for the protected and uncompetitive Spanish economy.⁸ Most

⁵. Ramón Martín Herrero: "España y la Idea de Europa" y otros trabajos, Buenos Aires [Talleres Gráficos Sacramento] 1953.

⁶. Juan Beneyto Pérez: España y el problema de Europa. Historia y política exterior, Buenos Aires [Espasa-Calpe] 1950; Ernesto Giménez Caballero: La Europa de Estrasburgo (Visión española del problema europeo), Madrid [Instituto de Estudios Políticos/Gráficas González] 1950, p. 122; and Pedro Voltes: "Sobre la interpretación dawsoniana de las relaciones entre España y Europa", Punta Europa, no. 5-6, Madrid, May-June 1956, pp. 145-47.

⁷. Enrique Tierno Galván: "Federalismo y funcionalismo europeos", Boletín Informativo del Seminario de Derecho Político, Universidad de Salamanca, no. 13-15, November-December 1956/January-April 1957, pp. 197-202; Raúl Morodo: "La integración política europea: El Consejo de Europa", ibid., no. 20-23, November 1957-February 1958, p. 189; Leandro Benavides: "Europa, unidad política", Nuestro Tiempo, vol. 4, no. 36, June 1957, pp. 660-86; and Manuel Medina Ortega: "Los objetivos políticos de la integración europea", in Estudios de Ciencia Política y Sociología. Homenaje al Profesor Carlos Ollero, Madrid, 1972, pp. 531-45. For the various ideological approaches to the "process of European integration" during the Franco era, with scarce or nil influence in policy-making, see Juan Carlos Pereira Castañares and Antonio Moreno Juste: "La España franquista ante el proceso de construcción europea (1945-1970)" (forthcoming in Storia delle relazioni internazionali).

⁸. Higinio Paris Equilaz (Secretary General of the Council of the National Economy): "Problemas de la expansión siderúrgica en España", Anales de economía, vol. 12, nos. 47-48, July-December 1952, pp. 271-384, pp. 383 ff.; Antonio Robert: Perspectivas de la economía española, Madrid [Cultural Hispánica] 1954, p. 186; José Miguel de Azola: a) España ante la Comunidad Económica Europea, San Sebastian [Imprenta de la Diputación de Guipúzcoa] 1957; b) "Desorientación española en torno a la Comunidad Económica Europea", Punta Europa, nos. 18-19, June-July 1957, pp. 64-90; and c) La unificación europea y la economía española, Valencia [Instituto Valenciano de Economía] 1958; Salvador Millet y Bel: Acercamiento a Europa, Barcelona [Instituto de Estudios Europeos] 1960; and José Larraz López: La integración europea y España, Madrid [Espasa Calpe] 1961, published separately but it constituted vol. 9 of the Estudios sobre la unidad económica de Europa, Madrid [Sociedad de Estudios Económicos Españoles y Europeos, S.A.] 1951-1961. Larraz's arguments were questioned by Tamames: "España y la

recently, Spain's access to the European Community has pushed the debate further into the mythological sphere, perhaps in an attempt to stifle complaints about its economic effects while reinforcing the historical magnitude of the policy-option adopted by a given cabinet.⁹

New and detailed studies of the origins of the Schuman proposal, the initial intentions of the governments involved, and the negotiation process that finally led to the Treaty of Paris, have shifted the research perspective from the realm of mythology into the arena of (perceived) economic national interests. They have revealed the less mythical story of an extremely laborious bargaining process by which the participating countries, without any real commitment towards a unified political structure for Europe, fought to secure their own national interests.¹⁰ This new historical approach, less deterministic and

integración europea. Una crítica de la tesis de Larraz", Información Comercial Española, April 1962, pp. 127-53. Larraz has been commemorated as the first Spanish pro-European Union by Truyol: "José Larraz, europeísta", Revista de Instituciones Europeas, vol. 1, no. 3, 1974, pp. 969-84.

⁹. Mario Celaya: "Historia de la Europa comunitaria", Información Comercial Española, no. 626, October 1985, pp. 19-29; José Félix Tenazos: "España-Europa: un encuentro histórico", Juan Marichal: "La europeización de España (1898-1936)", and José Luis Abellán: "El significado de la idea de Europa en la política y en la historia de España", all three in Sistema, no. 86-87, November 1988, pp. 5-7, 53-60, and 31-43, respectively.

¹⁰. The volume edited by Klaus Schwabe: The Origins of the Schuman Plan, Brussels [Bruylant] 1988, constitutes the most complete set of works based on archival material about the different national reactions towards the Schuman Plan. Some interesting contributions about the origins of the Schuman Plan can also be found in Poidevin (ed.): Origins of the European Integration (March 1948-May 1950), Brussels [Bruylant] 1986, in particular Pierre Gerbet's "Les origines du plan Schuman: le choix de la méthode communautaire par le gouvernement français", pp. 199-222. Still valid are William Diebold Jr.: The Schuman Plan. A Study in Economic Cooperation, 1950-1959, New York [Praeger] 1959, and Milward: The Reconstruction of Western Europe, 1945-51, London [Methuen] 1984, chaps. 4 and 12. The most detailed country-study concerns Italy; Ruggero Ranieri: a) "L'espansione alla prova del negoziato. L'industria italiana e la Comunità del Carbone e dell'acciaio, 1945-1955", 2 vols., Doctoral thesis, EUI, Florence, 1988; b) "The Italian Iron and Steel Industry and European Integration", EUI Working Papers, no. 84/109, 1984, Florence, published in Italian as "La siderurgia italiana e gli inizi dell'integrazione europea", Passato e Presente, no. 7, January-April 1985, pp. 65-85; c) "Italy and the Schuman Plan Negotiations", EUI, Working Papers, no. 86/215, April 1986, Florence, published in Italian as "L'Italia e i Negoziati del Piano Schuman", in Ennio Di Nolfo, Romain H. Rainero, and Brunello Vigizzi: L'Italia e la politica di potenza in Europa, Milano [Marzorati Editore] 1990, pp. 547-72. A detailed study on the question of coal and steel trade and production in Europe, leading to the Schuman proposal is John Gillingham: Coal, steel and the rebirth of Europe, 1945-1955. The Germans and French from Ruhr conflict to economic community, Cambridge [Cambridge University Press] 1991. The best study for the Netherlands is Griffiths: "The Schuman Plan", Griffiths (ed.): The Netherlands and the Integration of Europe 1945-1957, Amsterdam [NEHA] 1990, pp. 113-35.

more national-interest-minded, offers a possibility to study the Spanish attitude towards the Schuman Plan and the ECSC and to its economic impact. This case study will show how little the milestone in *European integration* affected Spain's effort to develop its own heavy industry.

6.2. The Spanish Reception of the Schuman Proposals

The Spanish Government, for whom the Schuman Plan was a complete surprise, reacted to the initiative by not reacting at all. The controlled press, however, welcomed the French initiative. Adenauer's "enthusiastic welcome" was contrasted sharply with the reticent British position. The French Chargé d'Affaires in Madrid explained this attitude by pointing out the natural pro-German sentiment of the Spanish population and government as well as by the idea that general planning in a field on which Spain was so dependent on the import side, could have a positive effect.¹¹ Spain felt positive about what appeared to be the definitive economic recovery of Germany. The low purchasing power there had adversely affected Spanish export trade and the lack of the German technical collaboration had delayed industrial reconstruction.¹² In political terms, the resurgence of the German steel industry, even under some control, meant a step toward Germany's political rehabilitation. Spaniards warmly welcomed any step toward ending post-war Allied intervention against former enemies that might also lead to a reduction in international animosity against Franco's Spain.

The Spanish diplomatic staff perceived Schuman's speech as a new manifestation of the cold war, linked to the increase of neutralist forces in France.¹³ It appeared as a

¹¹. AD, DE-CE 1945-1960, vol. 555: Despatch no. 808/EU from Bernard Hardion, "A.s. Projet Schuman et reticences britanniques", Madrid, 6 June 1950.

¹². See chapter three, pp. 154-55.

¹³. MAE, Leg. 3368, exp. 15: Despatch no. 750 from the Spanish Chargé d'Affaires in Paris, Manuel Aguirre de Cárcer, Count of Casa Miranda, "Las conversaciones Schuman-Acheson", 10 May 1950, a long report on the problem of Indo-China, the cold war, and the expansion of communism; and "Los Planes Económicos Europeos", by the Director for Europe at the Spanish Ministry of Foreign Affairs, Fermín López-Roberts y Muñiz, Marquis de la Torrehermosa, Madrid, 31 July 1950.

new argument to be added to the theory about the weakness of the European partners in pursuing an anti-communist policy. Franco himself and various representatives of his regime had expounded on this before the United States' public opinion more than once. Schuman's proposal had important political implications, of which the Spaniards were perfectly aware, but it implied a new economic move still to be put to the test.

The Spanish Government paid more attention to the Stikker Plan of Action for European Integration, named after the Dutch Minister of Foreign Affairs, Dirk U. Stikker.¹⁴ The softer terminology of the Stikker Plan made it more appealing to the Spanish authorities than Schuman's proposal. The Dutchman proposed one step further in the OEEC liberalisation programme, which at least sounded somewhat familiar to the Spanish, instead of integration, and he spoke of majority decisions instead of the establishment of any high authority. Equally appealing to a country without access to international financial aid was Stikker's provision for a European fund. This was to supply financial aid necessary for modernisation and solving possible disequilibria stemming from further trade liberalisation. And the Spaniards liked the Stikker proposal for another unspoken reason. The Dutch initiative provoked divergence within the block of continental powers that indirectly benefited the British Government in their intention to stop any further discussions at integration.¹⁵

Furthermore it was of interest to the Spaniards that Stikker had clearly stated that agriculture was the first step in long-term sectoral integration. Agricultural exports, we have seen, constituted a main concern for the Spanish authorities in foreign economic policy. The Spanish commercial authorities liked the Stikker Plan because it was closely linked to the OEEC. Stikker was Chairman of the OEEC Executive Council, and launched

¹⁴. MAE, Leg. 3107, exp. 17: "Full text of the <<Stikker Plan>>", 15 June 1950. For the Stikker Plan see Wendy Asbeek Brusse: a) "The Stikker Plan", in Griffiths (ed.): *The Netherlands and the Integration of Europe, 1945-1957*, Amsterdam [NEHA] 1990, pp. 69-92; and b) "West European Tariff Plans, 1947-1957. From Study Group to Common Market", doctoral thesis, EUI, Florence, May 1991, pp. 77 ff. The direct origin of the Stikker Plan was the Dutch negative perception of the OEEC trade liberalisation programme; see chapter five, p. 412.

¹⁵. MAE, Leg. 3368, exp. 15: Report entitled "Plan Stikker", presented to the Minister of Foreign Affairs, Madrid, 22 June 1950; Leg. 3449, exp. 37: "Los Planes Económicos Europeos", cit., 31 July 1950.

his initiative within this institution. Any agricultural integration at the OEEC level seemed to represent no major risk. The Spanish had managed largely to avoid the most draconian consequences derived from their non-OEEC membership, especially regarding agricultural trade. The elimination of barriers such as "calendriers", state trade, minimum prices, special levies, and other forms of domestic agricultural protection, which would have derived inevitably from Stikker's plans for increased liberalisation, were also the targets of Spanish ire when attempting to expand agricultural exports. The Spanish authorities believed that if the Stikker Plan were ever implemented, they had a clearer idea of what they might be facing, while <<Schumania>>, whatever the Schuman Plan turned out to be, could lead to unforeseeable consequences. When the Dutch Minister for Agriculture, Sicco L. Mansholt, developed the agricultural aspects of the Stikker proposals, the Spanish discovered, to their surprise, how erroneous their perception had been.¹⁶

The Spanish experts had not properly assimilated the full scope of the Stikker Plan. The gradual removal of all impediments to trade within the OEEC area would have implied a discrimination against Spanish exports that would have been more dangerous for the entire Spanish economy than the economic effects of the Schuman Plan for the isolated Spanish steel sector. In the end, the Stikker Plan was buried in the OEEC bureaucracy of a working party and remained completely ineffective after November 1950. The reactions to the proposed dismantlement of protective tariff barriers had been immediate from all corners, because tariffs were the only effective protection left after the commitment to move towards the progressive elimination of quantitative restrictions. The steam-locomotive of European integration was to continue along the tracks made of Franco-German steel as Schuman had proposed. In reality as well as in fiction, Spain continued to stick to a different railway gauge.

¹⁶. See chapter seven, pp. 493 ff.

6.3. The Spanish Steel Industry

The Spanish Government felt that the solution to the general weakness and extended position of the national economy would come from industrial transformation. The strong public intervention in the industrial sector was the result of a deep belief that private initiative and market forces were insufficient to redress the malaise of the nation, which was summarised in a lack of industrial development. The Spanish Government took a stand against what it thought was widespread pessimism among the private steel producers who did not believe in a sufficient future demand for steel products to justify a large increase in steel output.¹⁷ Independently of the steel barons' dejection, steel output had decreased for a multiplicity of reasons over which private entrepreneurs had little control: price controls limiting benefits and reinvestment, frequent electric cuts, lack of domestic supplies due to the physical exhaustion of some minerals, import difficulties for coal, scrap, and ferroalloys due to world-wide scarcity as well as to the country's foreign exchange difficulties, and, finally, the lack of modernisation due to difficulties to import equipment. It was estimated that Spain's steel industry would be able to increase production immediately by 20 per cent if sufficient scrap and coal were available.¹⁸ However, it was also estimated that even without foreign obstacles, per capita consumption would reach 36.5 kgs., still inferior to the 1929 level (43.2 kgs.), due to an increase in population.¹⁹

Spain's iron and steel industries confronted the major problem of an inadequate supply of iron ore, coke, high quality coal, and scrap.²⁰ The Spanish steel industry was, by nature, heavily dependant on imported scrap because it was based on the open-hearth (Siemens-Martin) process, which required a high proportion of scrap per ton of steel

¹⁷. Pedro Schwartz and Manuel-Jesús González: Una Historia del Instituto Nacional de Industria (1941-1976), Madrid [Tecnos] 1978, pp. 69-70.

¹⁸. Temporary Economic Study Group, Economic Cooperation Administration: Report on the Spanish Economy, 2 vols., Madrid, 1951 (the so-called "Sufrin Report"), vol. 2, p. 354.

¹⁹. Mariano Rojas Morales: "El problema siderúrgico español y la nueva empresa nacional", Boletín Minero e Industrial, no. 1, January 1951, pp. 7-13, p. 7.

²⁰. Antonio Almagro: El problema económico español, Madrid [Ed. Delegación Nacional del Frente de Juventudes/Jefatura Central de Trabajo] 1956, p. 139.

produced. The industry expanded in a regime of normal abundance of imported scrap during the 1920s. The import level of scrap in 1929, year of the maximum steel output of one million tons, was of 220,000 tons (see table 6.1). After World War II, Spain's imports of scrap remained almost insignificant due to shortage of foreign exchange and world-wide scarcity. In 1950, Spain imported 90,000 tons of scrap, that is, only 44 per cent of the 1929 level. In addition, the low quality of the rest of the raw materials employed resulted in a higher percentage of scrap in the production of steel. The scrap requirements for a production of one million tons of steel, which was at the time considered the maximum capacity for several years (in fact, until 1954), were of 360,000 tons, while the domestic market could provide a maximum of 125,000 tons.²¹ Scrap import and crude steel output series moved in parallel after 1929, making imported scrap the symbol of imports as overcomers of production bottlenecks.²² The intent of the private steel sector was to increase Bessemer-produced steel because it required the lowest consumption of scrap per ton of steel produced, and because it produced an excess amount of scrap over that required for itself, thereby making it available for the open hearth. Time was necessary, however, to adjust the plants.

TABLE 6.1
RAW MATERIALS FOR IRON AND STEEL PRODUCTION, 1929-1950
(in tons)

Year	Iron Ore Production	Coal Production	Coal Imports	Coke Produc.	Coke Imports	Scrap Imports
1929	6,546,648	7,547,267	2,083,717	768,040	291,609	220,363
1935	2,815,150	7,267,878	1,170,360	514,473	80,182	152,785
1940	2,236,102	9,417,283	137,429	845,368	22,183	92,638
1945	1,171,377	12,082,845	54,853	770,714	471	22,834
1947	1,513,911	11,869,089	17,283	815,643	—	19,180
1948	1,630,727	12,026,054	510,711	848,375	32,476	54,286
1949	1,876,295	12,164,666	998,967	967,497	84,474	66,196
1950	2,087,792	12,433,414	726,342	916,939	145,501	89,806

Source: "Estadísticas Minero-Siderúrgica de España, de 1900 a 1950", Boletín Minero e Industrial, from September 1952 to July 1953.

²¹. Luis Barreiro: "El problema de la chatarra", Boletín Minero e Industrial, no. 6, June 1951, pp. 291-392.

²². Antonio de Torres Espinosa (Under-Secretary of Commerce): La industrialización del país y sus interrelaciones con el comercio exterior. Problema de un futuro próximo, Madrid [Oficina de Estudios Económicos del Ministerio de Comercio] 1954, text of a speech on 23 June, p. 22. Scarcity of scrap had forced experiments in sponge iron and/or pellets as scrap substitutes; Pablo Martín Aceña and Francisco Comín: INI 50 años de industrialización en España, Madrid [Espasa Calpe] 1991, p. 177.

Mining recovered slowly the pre-Civil War levels of output. Spanish mineral production in 1949 gave an index figure of only 29 per cent as compared with 100 for the base year 1929. This important contraction in mining activities took place, primarily, in the years preceding the Civil War; the index figure for 1935 was 38.5. After 1939, output in many branches of mining failed to achieve any marked recovery. This was due to several causes: the difficulties in attracting and retaining an adequate labour force, the low output per worker, the pricing policy that made mineral prices lag in the face of mounting costs, frequent electric power cuts, transport difficulties, inadequate investment, and shortage of foreign exchange needed for the importation of essential equipment for modernisation.

The stationary level of coal mining lagged seriously behind the increasing demands of industry. Reconstruction needs, import restrictions, and difficulties in the supply of imported scrap and coke, had forced an increase of Spain's coal production. However, the 12.4 million tons of coal mined in 1950 represented an improvement of only about 350,000 tons over the level achieved in 1945. Furthermore, the increase in output came at the expense of quality. Bituminous coal was generally of low grade and low caloric content with a high proportion of impurities; coal which before the Civil War would have been unacceptable was now being mined and marketed.²³ The immediate result was a higher coal requirement for combustion: in 1929, 1.8 tons of coal were necessary to produce one steel ton; in 1947 2.4 tons were necessary. In this regard, redirecting coal consumption from transport and domestic housing (the destination of 37 per cent of the coal supply in the Spanish market) to the iron and steel industries was a long-term process that depended on the progress made with the ambitious plans for electrification of railways.²⁴ Spain's imported coal requirements varied from 500,000 to 1,000,000 tons a year, depending on the level of economic activity, the availability of other fuels, and the supply of raw materials to industries using imported coal.

²³. Guillermo Morales Matos: "Introducción al estudio geográfico de la siderurgia asturiana", Boletín del Instituto de Estudios Asturianos, nos. 88-89, 1976, pp. 309-403.

²⁴. For percentages of coal consumption see Sebastián Coll Martín and Carles Sudrià Itriay: El Carbón en España, 1770-1961. Una historia económica, Madrid [Turner] 1987, p. 585-86. For electrification of the railways see chapter three, pp. 158 ff., and chapter seven, pp. 519 ff.

Unlike coal, iron ore output had not reached pre-Civil War levels. In 1950, nearly three million tons of iron ore were mined in Spain and Spanish Morocco (the high quality Riff ore) as compared with a production of approximately six and a half million tons in 1929. Although constantly increasing, the supply of iron ore was inadequate to meet national demand, which moved in inverse proportion to the scarcity of scrap. There were two additional impediments to the satisfactory fulfillment of domestic requirements. First, part of the iron ore production had to be reserved for export, mainly to the United Kingdom in exchange for coal. Second, private enterprises were not designed to work the pig-iron (especially the Asturian ore of lower quality) directly in the blast furnaces because this mineral was difficult to reduce because without the necessary supply of scrap. Finally, Spain faced the gradual exhaustion of the more easily worked hematite deposits in Vizcaya ("rubios", 50 percent iron content and fairly low in phosphorous), on which the steel industry that was centred in Bilbao mainly relied.

As a result of these three main input problems, iron and steel output fell short of real needs (see table 6.2).

TABLE 6.2
IRON AND STEEL PRODUCTION, 1929-1950
(in tons)

Year	Pig-Iron	Crude Steel	Rolled Steel
1929	771,914	1,021,685	753,448
1935	344,202	637,280	440,677
1940	580,376	795,598	592,349
1945	470,694	559,879	358,117
1947	502,140	582,352	359,274
1948	519,226	596,842	340,440
1949	611,976	687,220	411,470
1950	657,337	774,175	531,671

Source: See table 6.1, using <<Central Siderúrgica, S.A.>> data.

By 1949, the production levels of pig-iron, crude steel, and rolled products did not reach the record level of 1929. Pig-iron surpassed slightly the 1940 level of output (the peak post-Civil War level), while crude steel and rolled products dragged behind due to the power shortages during 1949. Per capita consumption ranked the lowest of world steel

producers.²⁵ While Spain was one of the countries that most increased its crude steel output in percentage points in relation to prewar years (1935 for Spain, 1937 for Europe), it was, after the Netherlands, the lowest steel producer in Western Europe by 1949.²⁶ The low level of steel output became the most important bottleneck for the Spanish economy, since it hampered the development of inter-dependent sectors.²⁷

The initial problem was to determine how much more steel Spain required. Steel consumption is difficult to calculate *a priori* since it depends on the industrial level of the economy. The levels of consumption in 1929 seemed the logic point of departure. Private industry planned to double its production by reaching a total output of one million tons of pig iron and 1.5 million tons of crude steel by the end of 1956 in order to reach the 1929 per capita consumption.²⁸ The planned expansion required the government's guarantee for the supply of 1,250,000 tons of coal; 2,300,000 tons of coking coal; 2,500,000 tons of iron ore; the necessary ferroalloys; and, finally, 175,000 tons of imported scrap.²⁹ Although still low in comparative terms, the output targets were ambitious enough to present many difficulties in realisation. The promotion of a large public steel plant aggravated the supply difficulties of the steel sector.

The Spanish Government authorised the establishment of a modern iron and steel foundry in Asturias, which was to dwarf most of the existing private plants.³⁰ In June 1950, the Government commissioned the Institute of National Industry (henceforth, INI)

²⁵. Emilio Gómez Trueba: "La Comunidad Europea del Carbón y del Acero: razones para una esperanza", Información Comercial Española, no. 620, April 1985, table 4, p. 86.

²⁶. MAE, Leg. 5913, exp. 1: Despatch no. 142/50, from the Attaché for Foreign Economy at the Spanish Embassy in Brussels, Francisco Bozzano, to the Under-Secretary of Foreign Economy and Commerce, Tomás Suárez Ferrer, "Producción acero Europa occidental y Plan Schuman", 19 September 1950.

²⁷. Antonio Robert: Informe sobre la economía española y la integración europea, 2nd ed., Madrid [Consejo Económico Sindical Nacional] 1958, p. 58.

²⁸. TEGS, op. cit., p. 354.

²⁹. Secundino Felgueroso, Vice-President of the Central Siderúrgica, S.A., "Propósitos de la siderurgia nacional", Boletín Minero e Industrial, no. 6, June 1951, pp. 255-57.

³⁰. Decree of 15 June 1950, BOE of 18th, approved by the Council of Ministers on 5 June. A plan for the setting up of a new iron and steel industry in Asturias had existed for several years; Martín and Comín, op. cit., pp. 173 ff.

to form a company, with state and private capital, for setting up steel works with a capacity for the annual production of 700,000 tons of iron and steel finished products. The ambitious plan was to double Spain's existing steel production capacity by 1960. As an integrated works, the new plant was oriented to produce highly specialised semi-processed products to feed the activity of non-integrated steel works of private enterprises, in an import-substitution effort. The undertaking had hardly emerged from the blueprint stage when the Schuman Plan negotiations ended. In July 1950, the <<Empresa Nacional Siderúrgica>> (henceforth, ENSIDESA) was established at Avilés in the coal mining region of Asturias; this was to become Spain's largest steel work ever.

Spain launched its plan to increase steel output based on procedures increasing the use of local minerals and fuels (Asturian low-iron content minerals and pyrites from southern Spain) by blowing basic iron into the Bessemer and the blown metal used in open-hearth, economising in scrap, and lowering coke and ferroalloys consumption per steel ton produced. The only scrap consumption stipulated was the scrap produced internally in the steel works, with no demand for imports.³¹ According to the Government, INI intervention in a sector which affected directly the national defence and public services aimed to complement the private initiative.³² However, it was difficult to imagine how an integrated steel plant which was to have a capacity approximately equal to all of that of Spain combined could not compete with private industry.³³ In fact, the public sector received priority in the supply of scarce raw materials, in the allocation of foreign exchange, as well as a privileged access to foreign assistance, exactly what

³¹. Jose Antonio Cabezas: Del martinete al horno alto. Historia de una siderurgia, Madrid [ENSIDESA] 1975, p. 91.

³². Paris: Problemas económicos de la industrialización de España, Madrid, 1952; Suanzes' inaugural speech of Avilés in Hemeroteca Nacional: La inauguración de la Factoría de Avilés en la Prensa Española, Madrid, October 1957; and INI, Empresa Nacional Siderúrgica, S.A.: ENSIDESA. La factoría siderúrgica de Avilés, Madrid, 1968.

³³. Sindicato Nacional del Metal: "Incremento de la producción de acero en España (Nota del Sindicato Nacional del Metal)", Boletín Minero e Industrial, no. 4, April 1950, pp. 205-206, gives the high amounts of requirements in terms of imported raw materials to reach the output targets established for the new state plant.

private industry had feared.³⁴

Regarding the latter, the Spanish Government placed ENSIDESA at the top of the list of requests it placed before the Export-Import Bank in 1950. It repeatedly asked the Eximbank whether it would consider the steel mill project in Avilés requiring credits worth \$50 million; the Eximbank repeatedly discouraged the Spaniards from submitting this project. The American argument referred to the large amount of credit required and the long time necessary to study and complete it. In reality, the Eximbank, like the Economic Cooperation Administration, disliked financing public enterprises against private industry.³⁵ At the end of 1951, the "Sufrin Report" recommended granting no assistance to ENSIDESA, but to private industry.³⁶ In 1952, private enterprises presented to the Ministry of Industry and Commerce an urgent plan with a value of \$29 million which the State disregarded.³⁷ The proposed increase in production of the privately owned steel companies required a low dollar investment over a period of five years for the import of essential equipment, while the probable dollar cost of the proposed government plant was

³⁴. Felgueroso, art. cit., p. 257. To secure supplies for private entrepreneurs after the establishment of a vertically integrated steel plant in Avilés, worried the Economic Commission for Europe of the United Nations particularly; Economic Survey of Europe in 1953, Geneva, 1954, partially reproduced in "La situación de la economía española en 1953", Revista de Economía Política, vol. 6, no. 1, January-April 1955, pp. 126-49, p. 134.

³⁵. FRUS, 1951, IV, part 1, Herbert E. Gaston, Chairman of the Board of Directors of the Export-Import Bank of Washington, to the Embassy in Spain, 23 April 1951, pp. 844-48. Similar has been the case in Italy with the Finsider Steel Plan, also named after his main designer and supporter, Oscar Sinigaglia, at the time of the Marshall Plan. The so-called "Piano Sinigaglia" was promoted by a company dependent of the state holding Istituto per la Ricostruzione Industriale and was a reassumption of the so-called "Autarchic Plan for Steel". For the initial American hesitation on the matter see Vera Zamagni: "Una scommessa sul futuro: l'industria italiana nella ricostruzione (1946-1952)", and Pier Paolo D'Atorre: "Il Piano Marshall: Politica, economia, relazioni internazionali nella ricostruzione italiana", both in Ennio Di Nolfo, Romain H. Rainero, and Brunello Vigizzi: L'Italia e la politica di potenza in Europa, Milan [Marzorati Editore] 1990, pp. 473-95 and pp. 497-545, respectively (pp. 487 and 520). For a summary of the Plan Sinigaglia's main objectives see Oscar Sinigaglia: "The Future of the Italian Iron and Steel Industry", Banca Nazionale del Lavoro. Quarterly Review, vol. I, no. 4, January 1948, pp. 240-45; and Rosario Romeo: Breve Storia della Grande Industria in Italia, 1861-1961, Bologna [Cappelli] 1961, pp. 311 ff.; and for the international implications of the plan see Ruggero Ranieri: "L'Italia e i Negoziati del Piano Schuman", op. cit.

³⁶. TESS, op. cit., p. 355.

³⁷. Paris: "Problemas de la expansión siderúrgica en España", Anales de economía, vol. 12. nos. 47-48, July-December 1952, pp. 271-384, p. 310.

about \$360 million.³⁸

On the other hand, the Schuman Plan was a threat to the supply of coke, coal, and scrap.³⁹ There was no preoccupation with the future of imports of finished iron and steel products because of their low amounts (i.e., 3.8 per cent of domestic production, while in Italy this percentage was 15.6 per cent).⁴⁰ The export performance of the Spanish steel industry could not be affected because exports of pig-iron, steel, and finished iron and steel products were totally insignificant at the time (see table 6.3), and the new steel industry had been planned to have no export capacity. In 1950, only 0.5 per cent of domestic rolled-products reached the international markets; six years later there were no exports of this category. In 1950, Spain exported insignificant quantities of pig-iron; in 1956 exports of this commodity represented only 1.5 per cent of domestic production. On the other hand, exports of coal were almost exclusively to Portugal. It was difficult to image how any new organisation of limited membership could be self-sufficient with respect to exports of iron ore, which were an important source of supply. The Spanish interest was, thus, limited to the effects of Schuman's proposals for the supply of high-grade coal from the United Kingdom and scrap from Germany.

Before any political hysteria, it was necessary to evaluate the possible effects of the Schuman initiative on Spanish plans for expansion of steel production. This involved answers to questions such as was who was ready to join the French plan and on what terms, how the original proposal was to be modified by the attitude of new comers, what products were to be involved, what kind of organising body the High Authority was to be, and whether the member states would be able to maintain national commercial policies to third countries. The diplomatic reports received in Madrid pictured a situation that corresponded to what the latest research reveals were the different national positions.

³⁸. TESS, op. cit., p. 354.

³⁹. MAE, Leg. 5913, exp. 1: Bozzano to Suárez, Brussels, 19 September 1950.

⁴⁰. Pedro Fraile: "Crecimiento económico y demanda de acero: España, 1900-1950", in Pablo Martín Aceña and Leandro Prados de la Escosura (eds.): La nueva historia económica en España, Madrid [Tecnos] 1985, table 11, p. 99. Spain imported 0.16 per cent of the world trade in semi-finished and finished steel, a percentage inferior even to Yugoslavia and Turkey; Duncan Burn: The Steel Industry 1939-1959. A Study in Competition and Planning, Cambridge [Cambridge University Press] 1961, p. 149, table 10.

TABLE 6.3
SPAIN'S TRADE ON ECSC PRODUCTS IN 1950\$

IMPORTS			EXPORTS		
ITEMS	TONS	%	TONS	% %	
COAL TOTAL*	725,860	100	COAL TOTAL*	28,852	100
France	61,977	8.54	Portugal	26,652	92
Italy	55,743	7.68	French Zone		
Belgium-Luxembourg	42,314	5.83	in Morocco	1,110	4
Federal Republic	14,731	2.03	Spanish Protect.		
			in Morocco	913	3
ECSC	174,765	24.08	FRG	91	-
			BLEU	51	-
United Kingdom	544,618	75.03	Andorra	32	-
Rest	569	0.08	Netherlands	2	-
NON-ECSC	545,287	75.12	IRON ORE	935,477	100
			UK	729,058	78
IRON ORE	238,728	100	Netherlands	115,889	12
Spain's Protect.			All ECSC	85,515	9
in Morocco	238,728	100	All non-ECSC	5,015	-
PIG IRON AND			PYRITES	1,212,685	100
CRUDE STEEL#	109,845	100	Federal Republic	394,112	
Federal Republic	57,188	52.06	Netherlands	193,163	
France	22,877	20.83	Belgium-Lux.	150,400	
Belgium-Luxembourg	5,595	5.09	France	102,540	
Netherlands	1	0	Italy	41,563	
ECSC	85,662	77.98	ECSC	878,299	72
French Possessions in			United Kingdom	175,892	
West Africa	4,392	4.00	Denmark	78,617	
United Kingdom	3,072	2.80	Ireland	41,563	
Norway	2,890	2.64	Austria	17,599	
Tunisia	2,070	1.88	Switzerland	9,922	
French Zone in			Finland	4,846	
Morocco	1,992	1.81	Algeria	3,194	
Libya	1,974	1.80	Tunisia	2,753	
Austria	1,670	1.52			
Portugal	1,662	1.51	NON-ECSC	334,386	28
United States	1,323	1.21			
Rest	3,653	3.33	PIG IRON AND		
NON-ECSC	24,183	22.02	CRUDE STEEL	646	100
			Portugal	250	39
FINISHED IRON AND			Spanish Protect.		
STEEL PRODUCTS	1,450	100	in Morocco	239	37
France	358	24.72	Argentina	105	16
Belgium-Luxembourg	298	20.57	Rest	52	8
Federal Republic	7	0.50			
Netherlands	1	0.10	FINISHED IRON AND		
ECSC	664	45.89	STEEL PROD.	3	100
United Kingdom	731	50.48			
Sweden	36	2.52			
Switzerland-Lich.	8	0.56			
Denmark	7	0.50			
Austria	1	0.05			

Source: Official Spanish trade statistics, groups number two ("ores, pig-iron, and crude steel") and three ("finished iron and steel products") of Spain's trade categories. (\$) Including pyrites. (*) Including anthracite, soft coal, and coke. (#) Pig-iron, ferroalloys, crude steel, and scrap.

Instead of prompt moves to sign a treaty, all governments involved presented their own interests and declared themselves ready to fight for them.⁴¹ While every nation put forward contrasting economic objectives, the Spanish Government maintained a wait-and-see attitude. Sharing an Iberian sentiment, Portugal's Premier António de Oliveira Salazar pictured Schuman's proposal as "another cobweb which could be blow away by the wind."⁴²

Spain received some initial relief because its main commercial partner, the United Kingdom, appeared clearly reluctant to join an initiative that seemed to clash with national policy objectives.⁴³ Jean Monnet's persistence that all governments willing to join the Paris conference convened to discuss Schuman's proposal on 20 June 1950 agreed in principle that a supranational authority be established to exercise control over the coal and steel industries of the future European market was enough to keep the United Kingdom away from the Paris negotiations.⁴⁴ The absence from the pool of the largest single European producer of coal and steel rendered it less powerful.⁴⁵ This way, at least, 75 per cent of the Spanish coal supply and 50 per cent of overall Spanish imports of finished iron and steel products were not directly affected by the result of the Schuman Plan negotiations. Furthermore, coal imports from Belgium were excluded from the Treaty provisions as long as the transitional period applied.⁴⁶

⁴¹. See reports in MAE, Leg. 5913, exp. 1, and AGA C/36851.

⁴². PRO, FO 371/69428: Despatch no. 230 to FO from the British Embassy in Lisbon, 14 August 1950.

⁴³. The first report informing the Spanish Government on Schuman's initiative declared explicitly the British reserves to the project; MAE, Leg. 3368, exp. 15: Despatch no. 750 from the Spanish Chargé in Paris, "Las conversaciones Schuman-Acheson", 10 May 1950.

⁴⁴. For the position of the United Kingdom see Roger Bullen: a) "The British Government and the Schuman Plan, May 1950-March 1951", in Schwabe (ed.), op. cit., pp. 199-210; and b) preface to Bullen and M.E. Pelly (eds.): Documents on British Policy Overseas. Series II, vol. I. The Schuman Plan, the Council of Europe and Western European Integration, May 1950-December 1952, London [HMSO] 1986, where important documentation on the response of the British Government to the French invitation can be found. For the perception of British industry see Ranieri: "Attempting the Unlikely Union: the British Steel Industry and the European Coal and Steel Community 1950-1954", in Peter M.R. Stirk and David Willis: Shaping Postwar Europe. European Unity and Disunity 1945-1957, London [Pinter Publishers] 1991, pp. 112-23.

⁴⁵. MAE, Leg. 5913, exp. 1: Bozzano to Suárez, 19 September 1950.

⁴⁶. Ibid., "Firma proyecto de acuerdo Plan Schuman sobre pool carbón-acero denominado <<Comunidad europea del carbón y del acero>>", Brussels, 6 April 1951.

After June 1950, however, the United Kingdom announced that it was able to deliver only very much smaller quantities to Spain, and supplies from other European coal producers decreased as a result of shortages. Trade negotiations with the United Kingdom, taking place early in March 1951, revealed that the British were unwilling to maintain the level of coal exports. The consequence was a reduction in the supply of 500,000 tons. This was part of the overall decrease in British coal exports. After 1951, Spain's near total dependence on European sources of supply disappeared, supplanted by Spanish imports of high-grade coal from the United States on an Eximbank-credit basis.⁴⁷

On the other hand, pyrites -Spain's largest export commodity in the field- were excluded from the terms of the ECSC Treaty. Therefore an important source of foreign exchange and a bargaining element to negotiate the supply of coal from the United Kingdom also remained free from the ECSC Treaty terms. The establishment of the common market for iron ore presented no major risk since the United Kingdom absorbed 78 per cent of Spain's total exports of iron ore, in exchange for coal, and the Community as a whole was a net importer.⁴⁸ Spain's exports of iron ore to the ECSC increased between 1951 and 1958 about 170 per cent, while world iron ore exports to the ECSC increased only by 139 per cent.⁴⁹

A decline in scrap imports took place after 1950 (see table 6.4), while the private investment programme for increasing steel production pointed to the urgent need for increased quantities of imported scrap. According to <<Central Siderúrgica S.A.>>, the annual requirements of imported scrap to operate at full capacity were 200,000 tons, using the most economical ratio of scrap to pig iron. It was impossible for Spain to reach this

⁴⁷. The first Eximbank credit amounted to \$3.5 million to finance the purchase and shipment of coal from the United States to <<Central Siderúrgica, S.A.>>, which was a private organisation established in 1907 representing Spanish steel mill and coke companies; "Spain Receives Credits for Purchase of Coal and Wheat", released to the press by the Eximbank on 10 July 1951, reproduced in The Department of State bulletin, vol. 25, no. 631, 30 July 1951, pp. 170-71. The loan was granted on the basis of an authorisation of the General Appropriations Act of 1951, see chapter four, pp. 278 ff.

⁴⁸. HAEC, CM1/1953/9: ECSC, High Authority: Rapport général sur l'activité de la Communauté (10 Août 1952-12 Avril 1953), pp. 39 and 83.

⁴⁹. Communauté Européenne du charbon et de l'acier, Haute Autorité: Memento de statistiques, 1958, Luxembourg, June 1958.

import figure with its own foreign exchange resources.

TABLE 6.4
SPANISH IMPORTS OF SCRAP, 1950-1954
(in metric tons)

1950	76,092
1951	39,036
1952	23,756
1953	39,008
1954	77,000*

Source: AGA, C/36951, folder 16: "Request of Spanish Government for Ferrous Scrap", FOA/Washington, TOUSFO A-135, 26 May 1954; and (*) C/36838: Scrap Purchasing Agency (<<Central de Compras de Chatarra>> to Director-General of Economic Cooperation, Ministry of Commerce, Bilbao, 13 May 1955.

In March 1953, the ECSC Council of Ministers decided to impose restrictions on scrap exports to third countries due to a general shortage within the Community.⁵⁰ In times of serious domestic scarcity, the ECSC Treaty had foreseen a system to assure internal supply. At this point, several countries suspended their export quotas to non-ECSC countries. For instance, in relation to Spain, France suspended export quotas for scrap for a total amount of 7,000 tons.⁵¹ The difficulties in the supply of raw materials for the steel industry could hardly be blamed on the establishment of the ECSC; they resulted rather from the position of Spain's foreign exchange resources and the increase in demand after June 1950 that led to a world-wide scarcity of supply:

"At present, the country's coal and steel industry does not import basic products. This position is not exceptional. It is an autarchy forced upon by the traditional restriction in imports of coal and coke due to the penury of foreign exchange and of scrap due to the penury produced by war and rearmament."⁵²

⁵⁰. HAEC, CM1/1953/11: "Sommaire des délibérations du Conseil", Luxembourg, 17 March 1953; CEAB 4/555: "Lettre adressée le 13 mars 1953 aux gouvernements des six pays de la Communauté au sujet des exportations de ferraille". For the scrap problem in the Community see Diebold, op. cit., pp. 287-313.

⁵¹. AGA, C/36838: Scrap Purchasing Agency (<<Central de Compras de Chatarra>> to Director-General of Economic Cooperation, Ministry of Commerce, Bilbao, 13 May 1955.

⁵². MAE, Leg. 3449, exp. 38: Report on Spain and ECSC, by the Department of International Organisations of the Spanish Ministry for Foreign Affairs, Madrid, 20 July 1954.

As the ECSC as a whole was obliged to import from the United States, so was Spain.⁵³ In October 1953, May 1954, and January 1955, the Spanish Government requested a total amount of \$5.6 millions of economic aid funds for the purchase of iron and steel scrap from the United States. The Foreign Operations Administration accepted the allocation of these funds, enabling Spain to operate its steel industry at the capacity of existing equipment, and to meet the need of new plant capacity.⁵⁴ The scrap imported in 1954, mostly financed in dollars, allowed an increase in steel output by 22 per cent. The overall shortage of scrap diminished after 1954.⁵⁵ Despite the fact that the ratio of scrap to iron ore remained very high, this permitted the iron and steel output to increase at a constant rate.

The Spanish steel industry increasingly imported rolled-products: from 3.9 per cent of domestic production in 1950 to 20 per cent in 1956.⁵⁶ Spain's imports of semi-finished and finished steel products from the Six increased, in particular from Belgium, Germany, and France, between 1950 and 1955. In addition, Spain imported from the United Kingdom, other European non-ECSC countries, Japan, and the United States. Far more interesting is the export behaviour of the three major suppliers of semi-finished and finished steel products to Western Europe from 1950 to 1955 -the BLEU countries, France, and the Federal Republic of Germany. The first pair of countries multiplied by 5.4 their exports to Spain between 1950 and 1955, while France multiplied by 4.9, and the Federal Republic by 2.1 (see table 6.5). These increases, however, meant little because the point of departure was extremely low.

⁵³. AGA, C/36851: Juan García Lomas, Attaché of Foreign Economy, to Jaime Argüelles Armada, Under-Secretary of Foreign Economy and Commerce (after July 1952), "El mercado de la chatarra en los países de la CECA", Brussels, 8 October 1954.

⁵⁴. AGA, C/36838: Ricardo Giménez Arnau, Attaché of Foreign Economy in Washington D.C., to Argüelles: a) "Solicitud autorización compra de \$1,140,000 chatarra a cargo de la ayuda americana de FOA", 4 December 1953; b) "FOA. Solicitud autorización compra chatarra por \$2,000,000 con cargo Asignación de Fondos No. 1 en favor de España para el año fiscal 1955", 24 January 1955; and C/36951, folder 16: "Request of Spanish Government for Ferrous Scrap", FOA/Washington, TOSUFO A-135, 26 May 1954.

⁵⁵. AN, AJ/81/173: ECSC Council, Secretariat, "Autorisation d'exportation de ferraille vers les pays tiers", Luxembourg, 3 March 1954.

⁵⁶. Consejo Económico Sindical Nacional: Situación actual de la industria siderúrgica, Madrid, 1962, table no. 9, p. 14.

TABLE 6.5

SPAIN'S IMPORTS OF SEMI-FINISHED AND FINISHED STEEL PRODUCTS, 1950-1955
(in '000 of metric tons)

Export Country	1950	1951	1952	1953	1954	1955
Belgium-Luxembourg	10.4	7.2	13.9	16.1	31.8	56.4
Germany	20.1	8.8	12.2	24.4	29.4	41.4
France	10.6	7.6	12.7	20.2	24.7	51.5
Italy	-	-	-	1.6	-	2.3
Netherlands	-	-	-	0.5	1.2	2.8
ECSC	41.1	23.6	38.8	62.8	87.1	154.4
Austria	1.4	0.5	1.3	1.4	2.4	7.9
Canada	-	-	-	0.1	0.1	0.3
Japan	-	-	-	-	-	14.0
Norway	-	-	-	-	-	0.9
Sweden	1.7	0.9	1.3	2.2	1.6	3.4
United Kingdom	4.9	3.4	6.6	4.4	7.3	58.0
United States	1.8	0.5	18.1	11.9	9.5	27.7
NON-ECSC	9.8	5.3	27.3	20.0	20.9	112.2

Source: Elaborated from Secretariat of the Economic Commission for Europe: *Statistics of World Trade in Steel 1913-1959*, United Nations, Geneva, 1961. Includes the following products: ingots, railway-track material, heavy and light sections, wire rods, strip, plates, sheets, tubes, wire, tin-plate, wheels, tires, and axles. No official Spanish statistics were used for this elaboration, but statistics of the exporting countries.

The establishment of the ECSC did not change the principle of bilateralism between Spain and the six individual countries of the ECSC, despite its supranational character. In the short-term, trade agreements that had more than one year to run when the ECSC Treaty went into effect. Three were the bilateral agreements Spain had signed with ECSC members either applicable after 25 July 1952 or with a tacit renovation clause: a) the bilateral agreement with France, signed on 1 November 1951 with a duration until 30 September 1952; b) the bilateral agreement signed with Italy on 1 April 1952 with a duration until 31 March 1953; and, c) the bilateral agreement with the Federal Republic of Germany, signed on 14 October 1951 and tacitly renewed to last until 30 September 1953. Based on these three agreements Spain imported 49,800 tons of rolled-steel products, 712,000 tons of ores, 100,000 tons of coal, 3,000 tons of scrap, 8,000 tons of pig iron, and 90,000 tons of coke.⁵⁷ For the long-run, Spain and the foreign world looked with expectation to this new creature, in an attempt to decipher how traditional supplies would continue now that five other countries had a prior claim.

⁵⁷. Documentation in HAEC, CEAB 3/156, 229 and 258.

Initially, it was not clear how the Treaty of Paris and the establishment of the ECSC would affect the member states' commercial practices with non-ECSC countries. The Schuman Plan negotiations were mainly an inward-looking process -a common market involving six countries- which left provisions on external trade deliberately vague. It was neither a question of lack of provision nor of interest. It was a matter of priorities. The main interest was to build the structure and to get it on its way as soon as possible. Given the subsequent difficulties encountered in the early days of the Community in combining six different ways of approaching foreign trade, the decision to postpone the debate on the question of the Community's relations with the outside world had not been unwise.

Foreign commercial policy remained under the national responsibility; the administration of import and export licences for trade with third countries was the domain of the government in whose territory the place of destination for imports or the place of origin for exports was situated. The immediate role of the High Authority was to supervise the projects of commercial agreements or similar arrangements that the governments of the ECSC member states remained free to conclude, where these related to coal and steel, in order to ensure that there was no infringement of the Treaty. The High Authority's attributions in the field were far from the original dream of a supranational power. Even then, some countries bypassed this disposition by making available the agreements to the High Authority once they had been already signed, as was the case in November 1953 concerning France's trade agreements with Argentina, Poland, Spain, and Portugal.⁵⁸ The influence that the High Authority exercised over trade outside the Community was extremely limited. It was not only that the powers of the High Authority in the export field were ill-defined in relation to its powers in the common market, but that it constituted the first issue on which her power was challenged.

The question of the commercial external relations of the ECSC arose even before

⁵⁸. HAEC, CEAB 4/130: Dirk Pieter Spierenburg, member of the High Authority, to P. Alby, Secretary General Adjoint of the Interministerial Committee, Luxembourg, 16 November 1953.

the establishment of the administrative structure of the community.⁵⁹ The negotiations taking place in London (led by Monnet as President of the High Authority), raised the questions of by whom and in what form negotiations with third countries must take place in order to conform with the rules of the Treaty. The first to pose the question was the Federal Government of Germany at the beginning of September 1952. According to the Germans, the external commercial competence remained in the hands of the nation-state and, only in specific cases authorised by the Council of Ministers could the High Authority replace the national governments. Negotiations with Great Britain represented an exception granted by the unanimous vote of the Council, that was not to be taken as an example for the future. For them, it would have been a contradiction to transfer to the Community decision powers on the subject, for instance, of prices and cartels, but to make the opening of negotiations with third countries depend upon a unanimous decision of the different States:

"Le principe même du transfert de certains attributs de souveraineté à la Communauté, qui constitue pourtant l'essence même du Traité instituant la C.E.C.A., s'en trouverait nié de manière paradoxale, car le fait de reconnaître la règle de l'unanimité du Conseil de Ministres signifie pratiquement que chaque Etat, malgré le transfert de certaines attributs de souveraineté, continue à prendre librement ses décisions."⁶⁰

Having instituted a supranational organisation, the nation-states insisted that the High Authority not interfere with what they considered their exclusive sphere of action.

Both the High Authority and the Special Council of Ministers, at their respective first meetings, suggested the creation of a commission of experts to deal with the question of commercial agreements.⁶¹ The High Authority attempted to expand its limited attributions taking advantage of the negotiations with the General Agreement of Trade and

⁵⁹. Until 1955 no division was set up to deal with the foreign relations of the ECSC. Before, the ECSC dealt with the external questions by means of ad hoc services, either individual members and civil servants of the High Authority, or study parties and committees. The first were the ECSC/United Kingdom committee established in November 1952, and the Committee for Commercial Affairs established by the Special Council of Ministers to prepare the negotiations with GATT and OEEC.

⁶⁰. HAEC, CM1/1952/16: "Négociations de la CECA avec les pays tiers", Bonn, 1 September 1952.

⁶¹. HAEC, CM1/1952/4: "Procès-verbal de la 1ère session 22.9.1952", Luxembourg, 8 October 1952.

Tariffs (GATT) and the Organisation for European Economic Cooperation (OEEC) between November 1952 and February 1953.⁶² The establishment of the common market for coal and steel required the repeal of the "most-favoured-nation" clause and the exemption within the OEEC from fulfilling the non-discriminatory rule necessary to set up the common market among the Six.⁶³ Negotiations with the OEEC had shown that interference from the High Authority with respect to reallocation at the time of shortage and giving priority to assure internal supply weakened the bargaining position of the Six with the non-ECSC world when negotiating bilaterally.⁶⁴

External trade was a sphere which the national delegates fought to maintain at the national level against the High Authority's attempt to transfer it to the supranational sphere. The High Authority called repeatedly to "l'esprit même du Traité." The problem was that the Treaty was interpreted in seven different ways by each State on the one hand, and by the High Authority on the other. Among the various aspects that could be brought to the reader's attention to show how nation-states succeeded in limiting the action of the High Authority in trade relations, the debate about whether promises to deliver coal and steel should refer to the country's obligation under the Treaty at times of shortage, was most significant. In February 1953, the date of the establishment of the common market for coal, iron, and scrap, and making use of the functions attributed to the High Authority during the transition period, Monnet proposed that a common clause be inserted in all future trade agreements mentioning the eventuality of entry into force of art. 59

⁶². These are the main aspects of the Community's foreign relations that have received particular attention; i.e., Paul Reuter: La Communauté européenne du charbon et de l'acier, Paris [Librairie générale de Droit et de Jurisprudence] 1953, pp. 116 ff.; M.J. de Soto: "Les relations internationales de la Communauté européenne du charbon et de l'acier", in Académie de Droit International: Recueil des cours, 1956, II, Leyde [A.W. Sijthoff] 1957, pp. 29-85; Raymond Prieur: Les relations internes et externes de la Communauté du charbon et de l'acier, Paris, 1958; and, Diebold, *op. cit.*, pp. 502 ff.

⁶³. Spain and other non-GATT countries, except Switzerland, received a simple notification concerning their exception from the most-favoured-nation clause of the ECSC Treaty; HAEC, CM1/1952/4: "Procès-verbal de la troisième session du Conseil tenue à Luxembourg le 23 décembre 1952".

⁶⁴. HAEC, CM1/1953/131: "Rapport au Conseil de Ministres par la Commission des questions de politique commerciale", Luxembourg, 1-2 December 1952; and CM1/1953/160: "Note pour le Conseil de Ministres de la CECA de M. l'Ambassadeur [Max] Suetens en date du 5.3.1953", Luxembourg, 11 March 1953.

concerning restrictions on exports that might be imposed in case of internal shortage.⁶⁵

The German delegation felt strongly -as did the rest of the governments involved- that a clause should be included which would render it more difficult to achieve bilateral trade agreements. Most delegations suggested that the High Authority should impose no restrictions on exports in the six first months of those agreements that had merited her previous approval. The French, Belgian, and Luxembourg delegations proposed the elimination of any such clause, leaving entirely to the national governments the responsibility to make compatible their trade agreements and the dispositions in the ECSC Treaty. The High Authority refused to accept any proposal that meant to mortgage, even for the shortest period of time, the High Authority's scarce functions (i.e., to secure a regular internal supply in case of shortages):

"L'intérêt et les objectifs de la Communauté seraient ainsi sacrifiés à l'avance aux intérêts immédiats des Etats désireux de conclure des accords commerciaux favorables à leur économie nationale."⁶⁶

The German delegation, supported by the Dutch, maintained that a guarantee (similar to that proposed to the High Authority) was absolutely necessary to allow member States to conclude trade agreements. It was important psychologically to avoid third countries' uncertainty. As the French delegate stated, it was important to avoid that

"les partenaires d'accords bilatéraux aient l'impression que le respect des engagements pris dans les accords dépend en dernier lieu de la décision d'une tierce autorité et non du pays membre lui-même."⁶⁷

According to art. 3, the national delegations to the special committee on matters of commercial policy argued, the Community was obliged to take account of the needs of

⁶⁵. HAEC, CEAB 4/130: Monnet's "Lettre aux Gouvernements concernant l'application de l'Alinéa 2 de l'Art. 75 du Traité (Projet d'accord ou d'arrangement contenant des clauses faissant obstacle à l'application du Traité)", 14 February 1953.

⁶⁶. Ibid., Service Juridique, "Note au sujet de l'application éventuelle de l'article 59 du Traité aux accords commerciaux conclus par les Etats-Membres de la Communauté", Luxembourg, 8 May 1953.

⁶⁷. HAEC, 3/131: "Compte-rendue de la 10ème reunion du Comité des question de politique commerciale tenue à Luxembourg le 28 mai 1953", Luxembourg, 3 June 1953.

the rest of the world and to promote trade. In their turn, the ECSC legal experts argued that, according to the same art. 3, the main objective of the common market consisted in guaranteeing the normal supply of the internal market without neglecting the rest of the world.⁶⁸ The ECSC Treaty was malleable enough to be interpreted in opposing ways.

Member-states interpreted the ECSC Treaty to maintain an almost unchallenged power in commercial policy with third countries. The commercial policy of the High Authority consisted in a set of measures to be adopted in case of shortage, but this circumstance had already been dealt with in automatic clauses in most agreements, and the Council of Ministers could impose limits to the High Authority action. The debate was mainly a struggle between nation-states and the supranational body in a matter of national prestige and fundamental economic importance as foreign economic relations. It revealed that the ECSC members did not believe that they had been supplanted vis-à-vis the foreign world. The states remained the cardinal point of the ECSC's commercial policy by dint of the single fact that there was no community policy in the matter. The rest of the world should continue to keep up bilateral agreements with the Six. Although the *de jure* control continued to be disputed for a long time, the *de facto* control remained national.⁶⁹ The High Authority had suffered a clear defeat in its attempt to create a common external commercial policy.

The lack of a community commercial policy might have contributed to the slow administrative reaction to the Schuman initiative. The latter phenomenon reveals better than anything else the lack of interest of the Spanish authorities for the Schuman Plan. It was as late as April 1956 that the Under-Secretary of Foreign Economy and Commerce recommended to the Ministry of Commerce to appoint a permanent delegation in

⁶⁸. Paragraph based on HAEC, CM 1/1953/131: "Compte-rendue de la 7ème reunion du Comité des questions de politique commerciale tenue à Luxembourg le 15 avril 1953", Luxembourg, 16 April 1953; and CEAB 4/130: "Compte-rendue de la 9ème session du Comité des questions de politique commerciale du Conseil de Ministres tenue à Paris le 9 Mai 1953", and "Note pour les membres de la Haute Autorité" by Spierenburg, 18 May 1953.

⁶⁹. Driscoll, "Association with Schumania", art. cit., p. 108.

Brussels.⁷⁰ Previously, the Spanish administration had not been totally inactive: when the Treaty of Paris was ready for signature by the ministers of foreign affairs of the Six in April 1951, the Minister of Industry and Commerce, Juan Antonio Suanzes, and the Minister of Foreign Affairs, Alberto Martín Artajo, instructed the attachés of foreign economy to report about the consequences for Spain's supply.⁷¹ A few days later, representatives from the two ministries formed a study party attached to the Cabinet of the Under-Secretary for Foreign Economy and Commerce to keep a vigilant eye on the development of the Schuman Plan.⁷² No records for the interdepartmental ECSC Commission could be found for this research. Apart from some archival problems, this documentary silence could be attributed to the lack of any effective action. In January 1953, the Under-Secretary for Foreign Economy and Commerce ordered attachés to supply regular information on the developments of the ECSC and of the possible repercussions on the Spanish economy.⁷³ However, the long-term delay in adopting a definitive attitude towards the ECSC does not relate to bad administrative habits, but to the simple fact that the Spanish Government saw no national interest at risk from the Schuman Plan or the establishment of the ECSC.

⁷⁰. AGA, C/36851: "Nota para el Excmo. Sr. Ministro", Madrid, 4 April 1956. This same file contains various requests to appoint an observer in Brussels due to the increased number of permanent national delegations being appointed to the ECSC. For a complete list of countries that established diplomatic legations before the High Authority in Luxembourg see Commission des Communautés européennes: Archives Générales. Inventaire des Archives Historiques. Vol. 1 Dossiers de la Haute Autorité de la CECA 1952. Discours 1952-1967, Office des publications officielles des Communautés européennes, Luxembourg, 1985, as well as the funds in HAEC, CEAB 5, "Délégations des pays tiers auprès de la Haute Autorité".

⁷¹. MAE, Leg. 5913, exp. 1: Coded telegrams to Bonn, Brussels, Rome, Paris, and The Hague, 28 March 1951.

⁷². Ibid., Suñer to the Director-General of Economic Policy, at the Ministry of Foreign Affairs, "S/ constitución comisión funcionarios Plan Schuman", Madrid, 10 April 1951. This Commission was also known as the "Comité de Estudios del Plan Schuman".

⁷³. Referred to in AGA, C/36851: Lomas to Argüelles, "Entrada en vigor Comunidad Europea del Carbón y del Acero", Brussels, 10 March 1953.

6.5. Concluding Remarks

The Schuman Plan raised little interest for the Spanish steel sector, which was a weak and isolated sector before the launching of the Schuman Plan. The establishment of the ECSC did not modify the Spanish Government's plans to increase domestic steel production, rather it accentuated them. Spain's steel sector was so isolated from the rest of Europe and so directed to achieve self-sufficiency that the new initiative mattered little except in how it affected the supply of raw materials. Since trade with the six country-members of the ECSC was maintained bilaterally, Spain lost any interest for the ECSC itself. The indirect effects that might occur from the pool's policies concerning production, distribution, and prices were assumed to be part of the day-to-day problems in commercial relations.

The reader should not immediately conclude that the Spanish Government did not pay attention to European integration. On the contrary, it did pay attention to European integration, but not necessarily with the same intensity for all sectors. When integration moved to agricultural exports, the Spanish Administration quickly displayed a strenuous effort to reduce the negative implications of any European initiative at cooperation that excluded Spain. The following chapter will show that agriculture was a field in which Spain engaged in a level of diplomatic activity quite disproportionate to the attention it paid to the Schuman Plan or other contemporary economic initiative. The different responses offered by the Spanish Administration to the *black* and *green* pools were a direct reflection of how "integration" was perceived differently according to the degree and amount of "national interest" at risk.

CHAPTER 7:

THE GREEN POOL: SPAIN AT THE ORIGINS OF THE EUROPEAN AGRICULTURAL COMMUNITY, 1950-1955

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"The French Government believes that a further step forward towards the economic unity of Europe should have as its objective the joint organisation of the principal agricultural markets."

Note of the French Government, March 1951¹

"L'intérêt de l'Espagne pour ce projet de si vaste envergure s'accroît à la pensée que nous sommes un pays substantiellement agricole et que nos exportations de produits de ce genre sont la base de notre commerce d'importation."

Spanish Ambassador in Paris, Count of Casa Rojas, March 1953.²

"Several phases mark Spain's path towards her full participation within European cooperation. The first one initiated with Spain's participation at the Green Pool conference."

Spain's Foreign Minister, Fernando María Castiella, 1958.³

¹. AN, F/10/5359: "Note du Gouvernement français", Paris, 29 March 1951, inviting the governments of the OEEC member-countries to enter into negotiations for the purpose of organising a European Agricultural Community. English translation from PRO, MAF 83/3388: "Note of the French Government".

². AGA, MAE/11553, folder 40: Opening speech of Ambassador José Rojas y Moreno at the 2nd ministerial meeting of the organisation of agricultural markets, Paris, 17 March 1953.

³. Declarations recorded by Equipo Mundo: Los 90 ministros de Franco, 2nd ed., Barcelona [Dopesa] 1970, p. 267.

7.1. Introduction

This chapter presents documentary evidence of the Spanish reaction to the early attempts to set up a European Agricultural Community during the first half of the 1950s.⁴ After a consideration of the trade liberalisation programme of the Organisation for European Economic Cooperation (OEEC), the chapter reveals the Spanish Administration's continuous effort to reduce the impact of European cooperation on Spanish agricultural trade. This was a field in which Spain displayed diplomatic action incomparable with the attention paid to the Schuman Plan or to any other economic initiative at the time. The importance of this episode goes well beyond the fact of being another step forward towards the international recognition of the Franco regime, as some historians have erroneously mentioned.⁵

⁴. In Spain, the early attempts to set up a European Agricultural Community deserve short references in Simón Cano Denia: Valencia ante el Mercado Común Europeo, Valencia [Instituto Valenciano de Economía] 1958, p. 29; Ramón Tamames: Estructura Económica de España, Madrid [Sociedad de Estudios y Publicaciones] 1960, p. 658; Manuel Fraga Iribarne: Horizonte Español, Madrid [Editora Nacional] 1965, p. 86; Arturo Camilleri Lapeyre et al.: La agricultura española ante la CEE, Madrid [Instituto de Estudios Económicos] 1984, pp. 17-18; and María Josefa Requena: España y la Economía del Mercado Común, Madrid [Ceura] 1987, p. 87. Spain's intervention in the agricultural negotiations has not deserved the attention of historians of Spanish political and economic history. It receives a sentence in Joan Clavera et al.: Capitalismo español: de la autarquía a la estabilización (1939-1959), Madrid [Cuadernos para el Diálogo] 2nd ed., 1978, p. 210; and one paragraph in Angel Viñas et al.: Política comercial exterior en España, 1931-1975, Madrid [Banco Exterior de España] 1979, vol. 2, p. 834. Luis Antonio Buñuel Salcedo in an unpublished work, "España y la idea de Europa (Política Europea de España 1945-1955)", 2 vols., Juan March Foundation, Madrid, 1986, pp. 129-39, deals shortly with it but without using the same range of Spanish archival material (and none of the non-Spanish documentation) which appears in this chapter. Totally out-of-context references appear in several doctoral dissertations: Santiago Torres Bernárdez: "L'Espagne et les Organisations Internationales. Le statut internationale de l'Espagne après la deuxième guerre mondiale et ses conséquences sur sa participation aux activités des organisations internationales (1945-1956)", University of Saarbrücken, 1960; Peter H. De Garmo: "Beyond the Pyrenees: Spain and Europe Since World War II", Doctoral Diss., University of California, Davis, 1971; and Juan Ortega Galán: "Proceso de aislamiento e incorporación de España a la organización internacional (1944-1959). Factores que ejercieron mayor influencia. Consideración específica de la incorporación a la OECE", Doctoral Diss., Universidad de Málaga, Málaga, 1978.

⁵. Spain's participation in the European agricultural negotiations is considered as part of the timetable of Spain's acceptance into various of the agencies of the United Nations and other technical organisations: the Food and Agricultural Organisation of the United Nations in late 1950; the International Civil Aviation Organisation, the World Postal Union, the World Health Organisation and the World Meteorological Organisation in 1951; the United Nations Educational Scientific and Cultural Organisation (UNESCO) and the International Telecommunications Union in 1952; the International Labour Organisation in 1953; the UNICEF in 1954; and the United Nations in 1955.

It is important to explain why and how the only country permanently excluded from the institutional network of cooperation established after 1945 suddenly attended, after March 1953, ministerial conferences whose original aim was the negotiation of the second step towards European Unity, a sort of European Agricultural Community. It should also be considered that, by participating in these talks, Spain achieved OEEC observer status at the beginning of 1955, regarding all agricultural matters. This was three years before gaining proper OEEC membership. This chapter aims to provide the necessary background to understanding subsequent and better known developments in the long and troubled path of Spain's OEEC and EEC memberships.

Agricultural trade has been considered essential *only* in explaining Spanish attention to *European Integration* in the post-1957 period. The point of departure of this chapter is that even in the early 1950s agricultural trade was of too great importance for the Spanish Administration to remain inactive while the largest consumers of Spain's agricultural produce were discussing sectorial integration in agriculture and multilateral preferential agreements. The percentage of agricultural produce in total Spanish exports to the EEC countries was virtually identical in 1960 (57.10 per cent) and in 1950 (57.02 per cent).⁶ Any initiative to regulate European agricultural markets had to be taken seriously by the Spanish Administration. This was particularly the case when such initiatives implied discrimination against countries excluded from the pool and embraced all OEEC countries, to which Spain exported 62 per cent of its total agricultural exports (in value) in 1950. Dependence on the OEEC markets for agricultural exports forced the Spanish Government to keep an open eye on the different proposals for a common European agricultural policy.

7.2. The Green Pool: A Discriminatory Threat for the Spanish Economy

The term *Green Pool*, coined at the time to draw a connection with Schuman's

⁶. Official Spanish trade statistics, considering all commodities classified under class XII and the statistical territory of Peninsula and Balearic Islands; declared values f.o.b.

black pool for coal and steel, is used throughout this chapter to refer to the evolving European Agricultural Community between 1950 and 1955. In 1950, the French and Dutch Ministers of Agriculture, independently of each other and with different and somewhat opposing interests, conceived initiatives for a common organisation of agricultural markets. European discussion on an agricultural community was possible due to the confluence of many countries' desires to find outlet markets for their increasing agricultural surpluses. Furthermore, there was wide-spread disappointment about the capacity of the OEEC to fully tackle the intricacy of the problems which an expansion of agricultural trade was facing at a time when agricultural output in Western Europe had reached pre-war levels in many commodities and export surpluses of some foodstuffs had appeared. These initiatives were discussed at a European scale after 1951 until they were finally buried within the administrative complexities of the OEEC in 1955. In essence, this episode of European cooperation reflects most governments' efforts to find adequate formulae to expand agricultural trade in those commodities with increasing output under the stimulus of government intervention, while ensuring their compatibility with the maintenance of highly-protected agricultural sectors.⁷

⁷. The most interesting account of the Green Pool episode (until March 1953) is Richard T. Griffiths and Alan S. Milward: "The European Agricultural Community, 1945-1954", EUI Working Paper no. 86/254, December 1986. Two previous articles by Gilbert Noël: "Les tentatives de communauté agricole européenne 1947-1955", *Revue d'histoire moderne et contemporaine*, vol. 26, October-December 1979, pp. 579-611; and "Le Congrès européen d'Agriculture de Munich (1949): échec d'une initiative <<européenne>>", *Revue Historique*, vol. 266, no. 539, July-September 1981, pp. 95-126, merely describe the multiplicity of initiatives for agricultural cooperation. Unfortunately, Noël's published doctoral diss., *Du pool vert à la politique agricole commune. Les tentatives de communauté agricole européenne entre 1945 et 1955*, Paris [Economica] 1988, lacks the necessary documentary references. The origins of the Dutch initiative and the subsequent modification of the Dutch position are explained in Griffiths: "The Marshall Plan", in Griffiths (ed.): *The Netherlands and the Integration of Europe, 1945-1957*, Amsterdam [NEHA] 1989, pp. 93-111. For Belgium's attitude see Leen Van Molle: "Le milieu agricole belge face à la <<concurrence européenne>>: 1944-1958", in Michel Dumoulin (ed.): *La Belgique et les débuts de la construction européenne. De la guerre aux traités de Rome*, Louvain-La-Neuve [Ciaco] 1987, pp. 119-43. A detailed study of the Italian position can be found in Giuliana Laschi: a) "L'Italia e il processo di integrazione europea: il caso dell'agricoltura, 1947-1958", Doctoral Diss., EUI, Florence, October 1992, chapters three to five; and b) "L'Italia e il processo di integrazione economica agricola europea", in A. de Bernardi and P.P. d'Atto (eds.): *Il lungo addio alla modernizzazione e il declino della società rurale italiana (1880-1960)* (forthcoming). The widest collection of national cases were the papers presented in the Florence colloquium "Agricultural Pressure Groups and International Politics: The Green Pool, 1950-1954", November 1990, to be published as Griffiths (ed.): *The Green Pool (1950-1955): The First Attempt to Create a European Common Agricultural Policy* (forthcoming). Some of these papers go well beyond pressure groups into national agricultural policies and show that the variety of conflicting interests was not limited

The French initiative for a common organisation of Europe's main agricultural markets mainly worried the Spanish authorities.⁸ After eight months of discussion over the form and terms of the initiative, in March 1951 the French Cabinet finally authorised the Quai d'Orsay to request the Secretary General of the Council of Europe, Jacques-Camille Paris, on behalf of the French Government, to convene all the OEEC countries to a conference to examine a proposal for a European Agricultural Community.⁹ No specific date was fixed on the agenda.

The European Agricultural Community emerged as the second step towards the economic unity of Europe. The French proposed institutions similar to those provided for in the draft treaty of the ECSC, including a shared Court of Justice and Common Assembly. The proposal referred to a need to increase agricultural output in Western

to conflicts among nations but also within nations, between the agricultural organisations and the rest of the economic sectors and within the farming bloc itself.

⁸. This attitude was certainly due to the fact that the Mansholt Plan for a European Agricultural Community never reached the stage of international diplomacy as a clear-cut proposal (see note 12). It did, however, play an essential part in the discussions linked to the Green Pool. This was also the case in Italy, see Laschi's doctoral diss. cit., p. 160. Only once, during the course of this research, was a documentary reference concerning the Dutch initiative found in which the Mansholt Plan was depicted as having no chance given its "extremism with trade liberalisation"; MAE, Leg. 3445, exp. 22: Despatch no. 121/51, "Organización europea de mercados agrícolas. Plan Mansholt holandés y Plan Verde francés", from the Spanish Attaché of Foreign Economy in Brussels to the Under-Secretary of Foreign Economy and Commerce, Jaime Argüelles Armada, 14 June 1951. Once the French invitation for a conference was open to negotiation, the Dutch initiative was ignored by the Spanish authorities.

⁹. The circumstances leading to the Pflimlin Plan and its domestic reception are discussed in Griffiths and Fernando Guirao: "The Pflimlin and Mansholt Plans", in Griffiths (ed.): *The Green Pool (1950-1955)*, cit.

Pierre Pflimlin (b. 1907), parliamentary member of the Mouvement Républicain Populaire (MRP), the political formation most favoured by farmers' voting support during the early post-war years, served as Minister of Agriculture and Food Supply for two years, from November 1947. He resigned on 1 December 1949 due to the lack of modification in official French policy towards Germany and European economic cooperation based on regional deals and liberalisation proposals to the detriment of farming interests. Returning to Government in July 1950, he presented his first proposal for the joint organisation of the principal agricultural markets in August 1950. Although no longer minister of agriculture after August 1951, Pflimlin maintained his active involvement in the initiative, acting as special ambassador with his old colleagues or being officially consulted as Minister of Commerce and Foreign Economic Relations (until January 1952), Minister of State for the Council of Europe (until March 1952) and Minister of Overseas Territories (until January 1953). Pflimlin's own account of his initiative is to be found in his *Mémoires d'un Européen. De la IV^e à la V^e République*, Paris [Fayard] 1991, pp. 30-51, and in Jean-Louis English and Daniel Riot: *Entretiens avec Pierre Pflimlin. Itinéraires d'un Européen*, Strasbourg [La Nuée Bleue] 1989, pp. 97-118.

Europe and to reduce dependence on extra-European suppliers, especially from the dollar area. In exchange for dollar savings and security of supply, assured market outlets would provide price stability for the increased output. The consequent equilibrium of supply and demand would then render possible a cost-reducing and productivity-raising policy in the sector. Urging the benefits of economies of scale, Pflimlin spoke of a large market with artificial trade barriers swept away and the disparity of price factors reduced. This process would ideally end in the creation of a common market among the participating countries.

The French Government concealed its real interests behind the vagueness of these general principles. The method to be adopted would be "gradual and flexible", paying heed to the "necessity for transitional stages and guard against any form of automatic operation". The negotiations started with wheat, sugar, wine, and dairy produce.¹⁰ As a result of removing trade barriers, any important change in Western European trade would bring France an export gain regarding the first three staples, of which it was a major producer, though not a major exporter. The main export advantage in relation to dairy products in a single market would have gone to the Netherlands and Denmark, while the largest flow of imports would have been into Germany and France. Although France also expected to make some gains in the dairy produce sector, the inclusion of the latter was more an earnest attempt to make the initiative "something more than a multilateral agreement to buy French farm exports."¹¹ Pflimlin could never have expected international negotiations on his plan if it was exclusively favourable to French interests. At the least, it was necessary to attract Dutch attention with the prospect of future gains. The bulk of French agriculture, high-cost and high-tariff protected, would continue to be safe from foreign competition, while the French Government would have obtained stable markets for its structural surpluses expected to emerge by 1952-53. The principle of intra-European preference, the *quid pro quo* for increased production and reduced dependence on extra-European suppliers, would allow French agriculture to satisfy Western Europe's requirements of primary commodities at high and stable prices until it

¹⁰. "Note du Gouvernement français", 29 March 1951, cit. in footnote no. 1

¹¹. William Diebold Jr.: Trade and Payments in Western Europe. A Study in Economic Cooperation 1947-51, New York [Harper & Brothers] 1952, p. 276. This book was published before concrete proposals for carrying out the principles of the Pflimlin Plan were made public.

had accomplished the Monnet Plan's modernisation targets to make French agriculture internationally competitive.¹²

The French memorandum completely neglected the membership question. Although the reference to the ECSC Treaty would have limited the initiative to the Schuman Plan countries by involving the OEEC countries through the Council of Europe, the French threw into doubt any real commitment towards a restricted community. At the same time, by asking Jacques-Camille Paris, Secretary General of the Council of Europe, to present the memorandum, the French showed their desire to keep the initiative outside the OEEC, where British influence was considered disruptive.¹³ A sense of pragmatism imposed the extension of the initiative to a large number of countries. The Six seemed unable to provide outlets for growing output in the aforementioned four staples. The need to prevent any country not directly concerned sabotaging the plan, even if it were acceptable to a large number of countries, removed the OEEC from the list of possible solutions given its rules of procedure at Council level. Whatever the real French intentions might have been, the essential point here is that Spain was never considered for membership.¹⁴ Probably, apart from political factors, the interest that Spain, as a net

¹². For the Monnet Plan's agricultural targets and export surpluses see Griffiths and Guirao, *op. cit.*

¹³. According to Dirk U. Stikker, Dutch Minister of Foreign Affairs, the French invitation had been sent through the Council of Europe largely because Pflimlin was afraid that if the matter were handled in OEEC, the French Minister of Finance, Maurice Petsche, would sabotage the plan; PRO, FO 371/94347: Telegram no. 2 from Strasbourg to FO, 5 May 1951. In fact, on 12 January 1951, Petsche informed the OEEC Council of Ministers of a French plan for the integration of European agriculture as a way of forcing presentation of the Pflimlin Plan to the OEEC, which Pflimlin himself mostly disliked. Due to disagreement within Cabinet, between October 1950 and March 1951, over whether to present it in the OEEC or as an independent move, the Pflimlin Plan remained out of the focus of international discussion. The Council of Europe solution was a middle course which attracted the attention of the future major of Strasbourg. A similar struggle was taking place in the Dutch Cabinet over the so-called Mansholt Plan, named after Sicco L. Mansholt, Dutch agricultural minister from 1945 to 1958, after its approval by Cabinet in October 1950. The OEEC initiative, opposed by Mansholt, meant to link his project to the unpromising fate of the Stikker Plan, which in July 1950 was referred to a special OEEC working party.

¹⁴. It was believed in Madrid that the French Memorandum of March 1951 was not addressed to Spain, despite Pflimlin's interest! (sic), due to the opposition of Socialist ministers; MAE, Leg. 3445, exp. 22: M. Aguirre de Cárcer, Spanish Ambassador in Paris, to his Minister of Foreign Affairs, Alberto Martín Artajo, despatch no. 460, "Exclusión de la participación española en la Conferencia para la organización de los mercados agrícolas europeos", 4 April 1951. The existing records of the various commissions set up after August 1950 to sort out the details of Pflimlin's initial proposals

grain importer possibly willing to purchase in France to reduce dollar imports, could have presented to the French economy, was strongly contrarrested by the fact that Spain's agricultural export commodities -i.e., citrus fruit and common wine- entered into strong competition with French domestic production and North African exporters.

Any talks on agricultural market organisation, to which Spain had no access, represented a direct external constraint on its trade performance, with unexpected consequences in both the short and long run. Inertia might lead the historian to think in equal terms regarding agriculture and steel, given the early connections between the Green and Black Pools. The Spanish Administration had shown no interest in the Schuman Plan and its concerns about the ECSC was limited to securing imports of strategic commodities for its introspective steel industry. They made no official attempt to influence or to enter the Schuman Plan affair. This was not the case, however, for agriculture.

Agricultural trade with Western Europe was important enough to excite a quick reaction from those who supposedly defended Spain's foreign agricultural interests. The first to report on the initiative, the Agricultural Attaché in Paris, immediately asked the Spanish Government "to undertake all necessary steps to avoid [Spain] being arbitrarily excluded from an affair which could have an impact on fundamental agricultural interests."¹⁵ Although the precise meaning of the French proposal was obscure, it was clear that any European Green Pool would involve some form of discrimination against imports from the outside world, thus affecting Spain's vital interests. Three circumstances provoked Spanish concerns: first, the importance of agricultural produce in Spain's foreign

provide no grounds to sustain that those involved in the discussions ever considered Spanish involvement. The French Ministry of Foreign Affairs explained the exclusion in procedural terms: Spain was neither a member of the Council of Europe or the OEEC; AN, F/10/5553: "Note verbale" to the Spanish Embassy in Paris, 2 July 1951.

¹⁵. MAE, Leg. 5910, exp. 6, carp. 1: Report by José Félix de Escoriaza y Boix, to the Minister of Agriculture, Carlos Rein Segura, "Conferencia sobre organización de mercados agrícolas organizada por el Ministerio de Agricultura francés", 10 March 1951. Aware of the importance of the situation Escoriaza, in what later on turned out to be a unilateral move, suggested to Pflimlin's Chef du Cabinet, Pierre Maestracci, who generally represented the French Government on the OEEC's Food and Agriculture Committee, that Pflimlin could propose Spanish participation at least "with an observer status" if political opposition to Spanish Green Pool membership was maintained; *ibid.*

trade and as the largest source of foreign currency earnings; second, the fact that Western Europe as a whole represented Spain's main commercial partner in agricultural trade at the time; and finally, the fear that organisation of the main agricultural markets could end the limited but effective *status quo* Spain had attained regarding OEEC trade liberalisation as applied to agriculture.

Agricultural produce dominated Spain's trade. On a value basis, foodstuffs accounted for an average of 56 per cent of total exports and 19 per cent of total imports during the period 1948 to 1953.¹⁶ More importantly, agricultural exports generated around 40 per cent of foreign currency receipts, the reduction of which would have the greatest impact on domestic economic policies.¹⁷ The need to maintain and increase this source of foreign currency earnings was particularly significant because domestic economic policies and the international position of the Franco regime had strictly limited other sources of foreign currency. By giving complete protection to an expanding but high-cost industrial sector, the Government had limited the contribution of this sector to export trade. Manufacturing industry promoted in Spain during the late 1940's and 1950's had no capacity to generate exports and thus to contribute to a diversification of Spanish foreign commodity trade. While Spain could not hope for international aid without substantially modifying the nature of its political regime, export trade, dominated by

¹⁶. Data from Antonio Tena Junquito: "Comercio Exterior", in Albert Carreras (ed.): Estadísticas históricas de España. Siglos XIX y XX, Madrid [Fundación Banco Exterior] 1989, pp. 356-61, table 8.5, p. 350.

¹⁷. The figure refers to foodstuffs exports (fob) as officially recorded for 1949 and 1950. Exports corresponding to Canary Islands, Ceuta and Melilla had been added to the export figures for the Peninsula and the Balearic Islands, registered separately before 1953. Data on foreign currency earnings from Santiago Chamorro et al.: "Las balanzas de pagos de España del período de la autarquía" Información Comercial Española, no. 502, June 1975, pp. 161-87. The gold Peseta given in the trade statistics has been changed into US\$ by using the exchange rate of 3.060973 gold Pesetas=US\$1 as proposed by Chamorro et al. (p. 8). The figure in the text is an undervalued estimation because official statistics registered exports values as declared by exporters whereas the values listed by Chamorro et al. correspond to those registered when the exchange took place. Exporters tended to declare only part of their earnings to enable them to change the rest at a free rate of exchange, distorting official statistics. Considering the possible underestimation of the registered trade values and the fact that for a few years after 1950 Spain benefited from a temporary increase in the volume of raw materials exported due to the boom following the beginning of the Korean war, the percentage mentioned in the text is an underestimation of the usual contribution of agricultural exports to the OEEC countries in terms of foreign currency earnings. Hereinafter, all figures referring to Spain's receipts of foreign exchange come from Chamorro et al.'s estimates, unless otherwise stated.

agricultural produce, financed the essential imports to feed the growing population and ongoing industrialisation. This was especially the case when accelerated industrial growth accompanied import substitution schemes in the early 1950s, aggravated the pressure upon foreign currency earnings. Therein lay the essential contribution of agricultural trade to the Spanish economy, in spite of its limited volume and its small direct contribution in terms of National Income.¹⁸

Trade with Western Europe could not be ignored. The OEEC countries provided little over 33 per cent of Spain's total agricultural imports on a value basis (37 per cent on a volume basis) and received 61 per cent of the total value of Spanish agricultural exports (74 per cent on a volume basis) during the period 1949 to 1953.¹⁹ Gross agricultural exports to the OEEC countries provided the Spanish economy with almost 24 per cent of total foreign currency receipts from exports and little under 21 per cent of total foreign currency receipts registered in current and capital accounts in 1950. Agricultural exports to Western Europe could hardly be neglected. They were crucial to overcoming economic bottlenecks.

A closer look at commodity trade composition provides a further insight into Spain's great dependence on the OEEC countries.²⁰ Cereals and cereal flours accounted for 59 per cent of Spain's total agricultural imports and OEEC countries provided around 35 per cent of these imports (the rest coming from the dollar area). Second on the list came potatoes (19 per cent of Spain's total imports), of which OEEC countries provided 53 per cent of the imported tons. Codfish accounted for 7 per cent of total agricultural

¹⁸. The most influential contemporary claim for the "qualitative" importance of the Spanish export trade was Román Perpiñá Grau: a) "Determinantes de la estructura del comercio exterior", Boletín de estudios económicos, vol. 15, May-August 1960, no. 50, pp. 256-57, and b) De Estructura económica y Economía Hispana, Madrid [Rialp] 1952, pp. 364 ff. Perpiñá's most famous work was originally published in Germany in 1935. Higinio París Eguilaz: La expansión de la economía española, Madrid [Consejo Superior de Investigaciones Científicas] 1944, constituted the exponent of the school of economic thought that considered foreign trade unimportant for Spain given its limited value in relation to the national income.

¹⁹. Considering all OEEC countries, all commodities classified under class XII and the statistical territory of Peninsula and Balearic Islands.

²⁰. The following information is based on official trade accounts for 1950 and refers to value figures unless otherwise stated.

imports, coming mostly from Denmark and Norway. On the export side, oranges, wine and almonds accounted for 48 per cent of total agricultural exports. The OEEC countries took 99.4 per cent of Spain's orange exports, 65.7 per cent of its wine exports and 85.4 per cent of its exports of almonds. Their importance for other Spanish agricultural export commodities, such as canned natural fruit and olive oil, was much smaller. Spain was heavily dependent upon the OEEC markets in two of the four staples put forward by the Pflimlin Plan: wheat (net import commodity) and wine (net export commodity).²¹ Although the French had asked for preferential intra-European commodity agreements for only a few commodities, the Spanish Government was well aware that the choice of products was still open.²² The possible inclusion of fruit and vegetables could have closed down Spain's most important export markets in both categories. The nature of Spain's foreign agricultural trade, concentrated on only a few commodities and on a very restricted geographical area, meant that the creation of a discriminatory European Agricultural Community (whatever that implied!), even when limited to a few commodities, constituted a real threat to the entire Spanish economy.

This threat represented an important obstacle to fulfilling the economic programme of the new Cabinet appointed by Franco in July 1951. This Cabinet -*liberal* when compared with previous ones- had the task of increasing production, regularising imports, expanding exports and strengthening Spain's gold and foreign currency reserves.²³ The establishment of a European Agricultural Community without Spain would not ease the efforts of the technicians appointed Ministers of Agriculture and

²¹. Sugar and dairy products were not significant. Dairy products counted for less than 1 per cent of Spanish foreign trade and in relation to sugar Spain turned from importing 2.42 per cent of its total sugar imports from OEEC countries in 1950 to import only 0.1 per cent in 1953 while exporting little more than \$10 million to the same countries in 1953 (24.36 per cent as average from total sugar exports).

²². It was known that Italy had expressed its desire to enlarge the list with the inclusion of fruit and horticultural commodities and that the Netherlands pressed for the initiative to be enlarged to all agricultural produce; MAE, Leg. 5910, exp. 6, carp. 1: Despatch no. 199/51 from the Councillor of Foreign Economy at the Spanish Embassy in Rome to the Under-Secretary of Foreign Economy and Commerce, "<<Pool verde>> o común mercado europeo de productos agrícolas", Rome, 10 April 1951; and Air Post Telegram no. 50, from Spain's diplomatic legation in The Hague, 28 May 1951.

²³. Official note of the Council of Ministers of 29 July 1951, published by the press the following day.

Cavestany opted for *modernisation* to achieve increases in output and productivity.²⁵ The main target of Arburúa, Franco's first Minister of Commerce after the Ministry of Industry and Commerce split, was the expansion of foreign trade.²⁶ Spain suffered a chronic deficit in its balance of trade, caused by inadequate agricultural production, massive imports of foodstuffs and an industry heavily dependent on imports of raw materials. This situation conflicted with official expectations of increasing the level of industrial activity, which demanded higher levels of imports, no matter how disturbing this was interpreted. By August 1951, the foreign currency holdings at the Spanish Foreign Exchange Institute (IEME) were in the red and the issuing of import licenses stopped.²⁷ Therefore, any expansion of imports, when there was no provision of immediate international financial aid, implied an immediate expansion of exports to keep

²⁴. Rafael Cavestany and Manuel Arburúa de la Miyar lived parallel political lives. Both were born in 1902 and began their political careers in 1940 as President of the National Syndicate of Fruit and Vegetables Producers and Under-Secretary of Commerce, Tariff and Currency, respectively. Both were appointed Ministers in July 1951 and were regarded as technicians apparently detached from politics. Both were described as the right men to solve the problems of their respective areas through a limited liberalisation of the domestic economy. Both were finally dismissed in February 1957.

²⁵. The French experience was not unknown to Cavestany and those who, like him, had a technical training, see *Asociación Nacional de Ingenieros Agrónomos: I Congreso Nacional de Ingeniería Agronómica*, 9 vols., Madrid [Talleres Gráficos Altamira] 1950. Cavestany's first measures to raise fixed-prices to divert produce from the black market, to reduce the interventionist apparatus and to increase State's capital investment in the sector can be followed concisely in Carlos F. Barciela López: a) Introduction to the Second Part of <<Los costes del franquismo en el sector agrario: ruptura del proceso de transformaciones>>, in Ramón Garrabou, Barciela and José Ignacio Jiménez Blanco (eds.): Historia agraria de la España contemporánea. Vol. 3. El fin de la agricultura tradicional (1900-1960), Barcelona [Crítica] 1986, pp. 383-454; and b) "Crecimiento y cambio en la agricultura española desde la guerra civil", in Jordi Nadal, Carreras and Carles Sudrià (eds.): La economía española en el Siglo XX. Una perspectiva histórica, Barcelona [Ariel] 1987, pp. 258-79.

²⁶. Explicitly stated in the decree-law of July 1951, creating the Ministry of Commerce independent from the Ministry of Industry, cit. in "Notas sobre el comercio exterior de España", Información Comercial Española, June 1961. Early in 1952, a new administrative service for the study of foreign markets was set within the Under-Secretary of Foreign Economy and Commerce. Arburúa has been unanimously connected with the slow opening of the Spanish economy during the 1950s and the promotion of exports. Unfortunately his reputation is greater than the actual increase of Spain's export trade.

²⁷. AHBE, IEME, box no. 6: S/C, 10 August 1951.

an equilibrium in the balance of payments.²⁸

Spain's non-participation in the Green Pool would have made the maintenance of the already unsatisfactory levels of the import and export of agricultural commodities even more difficult. Both categories were of extreme importance for the nation's economic development and political stability. Agricultural exports were already held up by low output, price increases, discriminatory rates of exchange and the State's commercial regulations.²⁹ Devaluation followed by a relaxation of export controls, unification of exchange rates and elimination of the extreme features of State intervention, were inconceivable in the short-run, despite criticism from all corners. Domestic constraints to an expansion of the country's export trade in agricultural commodities were already too damaging to remain inactive when a new foreign constraint appeared.

There has been constant speculation concerning the provision of American financial assistance to support the 1951 Government's liberal programme.³⁰ The previous chapter showed clearly that this was not the case. Admiral Sherman visited Spain unexpectedly and only two days before the new cabinet took office on 18 July 1951, bringing no real commitment for economic aid. Only in September did an American mission come to evaluate Spain's real economic requirements. The United States' financial aid was then linked to the signature of a satisfactory agreement for the use of military

²⁸. As Arburúa put it: "We hope a twofold improvement in balance of payments: less consumer goods imports, on the one side, and larger exports of manufactured goods, minerals and agricultural commodities, on the other side." Speech on 31 October 1951, in Arburúa: Cinco años al frente del Ministerio de Comercio (Discursos y Declaraciones, 1951-1956), Madrid [Imprenta Nacional] 1956, p. 20.

²⁹. See public complaints in the editorial of a leading publication in the field, Agricultura. Revista Agropecuaria, no. 234, October 1951, which explained the basic conditions for good export performance.

³⁰. That a firm agreement for financial assistance ought to have been granted by the Americans vis-à-vis the Spanish Government to explain the rather liberal programme of the newly appointed Cabinet, has been most strongly expressed by Joan Maria Esteban: "The Economic Policy of Francoism: An Interpretation", in Paul Preston (ed.): Spain in Crisis. The Evolution and Decline of the Franco Régime, Hassocks [The Harvester Press] 1976, pp. 82-100, p. 93; and Joan Clavera, Joan Maria Esteban, Maria Antònia Monès, Antoni Montserrat and Jacint Ross Hombravella: Capitalismo español: de la autarquía a la estabilización (1939-1959), Madrid [Edicusa] 2nd ed., February 1978, p. 235. On the other side, some speculation was normal at the time, AD, Z/EE, vol. 96: "Note Perspectives économiques en Espagne" by the General Directorate of Economic and Financial Affairs at the Quai d'Orsay, Paris, 2 January 1952.

bases for which no clear economic counter-part appeared in sight. The \$62.5 million credit administered by the Eximbank could not be considered adequate to provide the basis for a change in economic policy. The argument of American aid is only useful for the post-1955/56 period. Before that point, the import level was directly dependent on the country's export performance.³¹ Earnings of foreign exchange via agricultural exports were essential and the beginning of talks on the organisation of European agricultural markets should have appeared as an unexpected foreign obstacle.

Spain's attitude towards the Green Pool question also stemmed from its previous experience of being only marginally affected by the OEEC liberalisation programme as applied to agriculture. The Pflimlin Plan was clearly a move away from OEEC liberalisation (to which well-organised French agricultural producers and Pflimlin himself had declared their hostility) and a step forward towards a system of interlocking preferential agreements.³² Any intra-European preferential arrangements for commodities in which Spain had an exporting interest would have been more discriminatory than OEEC liberalisation, which had basically failed to provide OEEC members better treatment in agricultural trade than non-OEEC members. The latter's ineffectiveness in face of the plethora of governmental measures aimed at the control of food supply and the protection of domestic production, and the influence of vested interests and political pressure, indirectly benefited Spain's agricultural exports. Conversely, preferential commodity agreements might not entirely push Spanish exporters out of the OEEC markets, but they would certainly damage export sales by placing Spain's main competitors in an extraordinarily advantageous condition.

Any negotiation on agricultural trade involved the risk of putting in motion a revision of the OEEC trade liberalisation programme. The general dissatisfaction with the results of liberalisation in the agricultural sector could have been transformed into action in spheres until then excluded from the OEEC's concerns (tariffs and commodity trade

³¹. On this point and for a detailed account of American financial assistance to Spain during the early 1950s, see chapter four.

³². Pflimlin gave assurances (to representatives of the French wine sector) that his proposal had nothing to do with liberalisation; AN, F/10/5359: "Commission d'organisation du Marché européen du vin", minutes of proceedings of its first meeting, 5 September 1950.

under Government account). Many countries had simply substituted tariffs for quotas to protect their domestic production from the effects of quota removal or simply transferred commodities from private to Government account to avoid the effects of OEEC liberalisation. Any future improvement in both fields would not be extended to Spain if it remained outside agricultural arrangements. There was also the pressure for action in those matters in which the OEEC had been ineffective such as long-term contracts at prices frequently well below world prices, the unilateral fixing of minimum domestic prices under which, when domestic prices fell to their level, imports of the relevant commodity were automatically blocked, and the reversals of the liberalisation process in the face of balance-of-payments difficulties in the largest markets for European main export staples. The then system of British long-term contracts for part of the European supplies combined with half attempts at liberalisation in third markets was far from being a satisfactory solution, particularly in the exporting countries. Faced with this situation, main exporters of agricultural produce were naturally supportive of any greater degree of liberalisation in agricultural trade to maintain the principle of reciprocity. This was particularly the case of the Netherlands and Denmark, who saw their major export markets for agricultural products closed.

The Mansholt Plan favoured a supranational authority with wide powers to limit national unilateral actions in the regulation governing imports of the great bulk of agricultural products. Bilateralism seemed unable to provide a solution to Dutch agricultural problems. The loss of important outlets following the imposition of import restrictions in Germany in the early part of 1951, the seasonal restrictions on vegetable imports into the United Kingdom, the unsatisfactory long-term British contracts for a wide range of products, and, particularly, the failure to end the BLEU countries' discriminatory practices in favour of their less efficient farmers within the Benelux agreements, were strong arguments in favour of a supranational authority.³³ The set-backs to liberalisation showed the OEEC's weakness in regulating trade questions and the Dutch looked for

³³. For the latest research on the functioning of the Benelux agreements and the Belgium refusal to provide an open market for the Dutch increasing surpluses of agricultural commodities, see Arend Jan Bokestijn: "The Formulation of Dutch Benelux Policy", pp. 27-48, and Thierry Momens: "Agricultural Integration in Benelux", pp. 49-68, both contributions to Griffiths (ed.): The Netherlands, op. cit.

something more effective, particularly on a supranational basis. Mansholt regarded the French initiative as a device to secure protected markets for French surpluses at high prices based on a European preference. The Dutch plan, on the other hand, was committed to setting up a free European market with the progressive suspension of the then existing quantitative and tariff restrictions among the six Schuman Plan countries and the creation of a common external tariff to regulate common import and export policies. Specialised Dutch agriculture had stronger interests than French agriculture in progress in this direction, being better equipped to face increased foreign competition. It is also worth observing that the Danes considered both plans unacceptable substitutes to real trade liberalisation in agricultural products. They appeared, however, to offer an opportunity of promoting real programmes for liberalisation in agricultural trade and tariff reduction.³⁴

The confluence of French and Dutch anxiety over foreign sales certainly started a process of unpredictable results, which was especially threatening for a country which could not take part in the negotiation process. Despite their differences, the Pflimlin and Mansholt Plans had attracted international attention due to the extent of national protectionism for agriculture. Within a wide variety, all countries in Western Europe were importers and/or exporters of agricultural commodities and all produced domestically foodstuffs at different cost. Every OEEC country (except the United Kingdom) wanted a wider market for some of its agricultural products and all, including the British, were bound to take some action to protect the livelihood of their farmers. Some wanted to postpone trade liberalisation, others wanted to hasten it, but all wanted to protect their agriculture production and to assure adequate prices to producers and reasonably

³⁴. AD, DE-CE 1945-60, vol. 58: The Commercial Attaché at the French Embassy in Denmark to Petsche, "Réactions danoises devant le Plan Pflimlin", account of a meeting with the Danish Secretary of the Council of Agriculture, 15 May 1951. The Danish representative in the Council of the OEEC stated in May 1951 that the reason for the French Government's initiative for a European Agricultural Community was that OEEC had produced no result of any importance in the field of agriculture; PRO, MAF 83/3388: E.M.H. Lloyd's report on the informal meeting of the Council of OEEC, 21 May 1951; and "Attitude of other Governments to the Pflimlin Plan", Appendix C of the Brief for UNISCAN meeting in Stockholm, 13 June 1951. For a wider perspective of the main objective of Danish foreign economic policy, see Vibeke Sorensen: a) "Danish Economic Policy and the European Cooperation on Trade and Currencies", EUI Working Paper, no. 86/251, Florence, 1986; and b) "Social Democratic Government in Denmark under the Marshall Plan, 1947-1950", Doctoral Diss., EUI, Florence, 1987. UNISCAN refers to the British-Scandinavian forum for the discussion of common economic problems taking place from December 1949 onwards.

permanent outlets. International consideration of the initiatives for a European Agricultural Community was possible because some of the Ministers concerned regarded the proposals (either as they were originally presented or as Ministers expected to modify them according to specific interests) as a relief of the problems posed to domestic agricultural policies, the optimal solution of which national governments had become ineffective and, consequently, some Government coalitions risked losing farmers' support.

The concept of an *organisation of agricultural markets* thus meant different things to different people. Some interpreted it to mean free markets and the removal of trade barriers. It could also be interpreted to mean measures for the protection of internal markets by the regulation of imports. France, developing large surpluses in some crops, required outlets to maintain prices at their desired level. Direct expenditure to underwrite the different price support schemes necessary for a revolutionary increase in output was a burden on government expenditure and a difficult problem in terms of negotiation with farmers. However, since the rest of its agricultural economy was rather uncompetitive, France would have been reluctant to subscribe to general trade liberalisation. Other countries expecting to produce high-cost surpluses hoped to sell them to European countries at premium prices and with imports from non-European countries reduced to safeguard the outlets for their own produce on the basis of intra-European preference. These countries were very reluctant to take their chances as exporters to overseas markets in competition with the already established exporters. The low cost and low tariff countries, of whom the Netherlands and Denmark were examples, importing a substantial amount of intermediate agricultural produce at the lowest price market and exporting at world market prices, wanted free access to large markets by the complete removal of all impediments to trade, which went beyond the competence of the OEEC's programme of trade liberalisation. Those countries which imported a substantial proportion of their agricultural needs (Germany and Belgium) naturally found it difficult to abandon domestic protection and guarantee imports at higher than world prices. They rejected an internal free trade market rigidly protected against the outside world and accepted, with only very little interest, commodity agreements for few staples, falling short of a single European market.

The official replies to the Council of Europe's invitation to consider the French memorandum revealed no homogeneous interest, making the future of the initiatives for a European Agricultural Community unpredictable. All the ECSC countries, except the Netherlands, were clearly for the largest membership possible, either to render the initiative unworkable or to benefit from specific commodity arrangements with the inclusion of a larger number of commodities than those the French had presented. Most of the OEEC countries adopted the British attitude of showing little interest in any initiative which they considered should have been examined by the OEEC and had no intention of implementing any proposal which cut across their agricultural policies. Agriculture could not be exposed to full competition or become an object of supranational planning without serious social and economic effects. Some governments suggested some inter-governmental organisation different from the OEEC as an alternative to a full supranational community to negotiate a series of inter-linked agreements covering certain commodities to guarantee markets to producers whose output was growing under official stimulus. It was obvious, however, that no government in Western Europe could afford to ignore the proposals for the common organisation of the main agricultural markets. Consequently, most of them decided to follow the issue attentively so as to defend their domestic interests and ensure that any organisation set up (if one they could join) dealt with those agricultural commodities which they exported.³⁵

All the possible scenarios which the agricultural discussions might have led to, ranging from an economic union with a common tariff to mutual preferences, from a high authority arranging imports from within the pool and restricting imports from outside the pool so that European prices could be maintained to an inter-governmental body aiming to promote increased European trade in agricultural products, would have been discriminatory towards Spanish agricultural exports. This case-study could be well considered a classic example of economic interdependence. The possible action of the OEEC countries was perceived as imposing costs on a country not a member of the same system, which had to respond in the measure of its political capacity in an attempt to

³⁵. The official replies to the French Memorandum can be found in AN, F/10/5694 and a summary in AD, DE-CE 1945-60, vol. 58: Note "Pool agricole. Réponses à l'invitation du Gouvernement français", Paris, 25 June 1951.

avoid having the burdens of adjustment forced upon it.³⁶

7.3. Spain's Limited Policy Options

Spain's response to this new foreign constraint on its agricultural exports was a boundless effort to secure participation in the agricultural negotiations. The Ministry of Foreign Affairs succeeded after a two year diplomatic struggle. Diplomatic action started in May 1951, when the Spanish Minister of Foreign Affairs ordered the diplomatic representatives in the OEEC member-states to find a State willing to promote Spanish membership and to avoid the rest of the participating countries opposing it.³⁷ The main argument were the problems which would be caused to the Spanish economy if the Spanish Government were the only in Western Europe not involved in Pflimlin's initiative.³⁸ A new diplomatic démarche took place in January 1952, the French Government reviewed the whole situation in the light of the replies received and decided, on 23 February, to issue invitations to the European countries represented in the OEEC to attend a preliminary conference at ministerial level in Paris, in March 1952. The conference was to consider the procedure, terms of reference and objective for a further conference on the unification of European main agricultural markets.³⁹ Spain's absence at that meeting marked the end of the first phase of diplomatic action to promote the country's membership.

7.3.1. Diplomatic Struggle

Spanish diplomats were aware that the position adopted by some governments

³⁶. Robert O. Keohane and Joseph S. Nye, Jr.: "Power and Interdependence revisited", International Organization, vol. 41, no. 4, Autumn 1987, pp. 723-53, p. 730.

³⁷. MAE, Leg. 3445, exp. 22: Cifra no. 161 to the Spanish Embassy in Paris, 25 May 1951, similar to the despatch sent to all diplomatic posts in the OEEC countries.

³⁸. AN, F/10/5553: Spanish Embassy in Paris to Quai d'Orsay, 22 June 1951.

³⁹. PRO, MAE 83/3388: Telegram no. 621 from FO to Paris, 23 February 1952.

regarding the Pflimlin Plan made them unable, even if willing, to defend the Spanish request for participation in the conference. The British Government was prepared to return to their preferred instrument for promoting economic cooperation in Europe, the OEEC.⁴⁰ They would certainly not promote new entries in the club and least of all, membership of a non-OEEC member country.⁴¹ Spanish complaints went unheeded by countries like Switzerland and Ireland since their positions mirrored the British attitude, though they had been receptive towards the Spanish arguments concerning previous economic cooperation issues. The weak position within European affairs of the Federal Government, whose relations with Spain were good, ruled out the possibility of any public German support for Spanish membership, which would have upset the French and invited left-wing criticism. Notwithstanding this, it was believed that, since the Germans had suggested that if something were done it should include all Western European partners, the German delegation would favour the Spanish request if the latter reached the negotiation table.⁴² The Scandinavian Governments were so clearly opposed to the Franco regime in political

⁴⁰. The British had declared themselves unwilling to join a supranational organisation nor to commit themselves to work towards a unified customs-free European market for agricultural products. In their view, the French attempted to extend protectionism and higher prices, which was directly incompatible with the British low-food price policy. Pflimlin's proposal represented a further stimulation of trading malpractice in contradiction with Britain's European policy, Commonwealth commitments, and domestic agricultural policy. Finally, any British involvement would have implied the surrender of an essential tool on balance of payments grounds: the bargaining position of being the world's biggest food importer; *ibid.*, "The French Plan", n/d, probably April 1951, and ER(L) (51) 34th meeting, "Pflimlin Plan for European Agriculture", Note by the Ministry of Food, 13 April 1951; and CAB 134/100: MAC (52) 19th and 20th meetings, 18 and 20 March 1952, points 3 and 5, respectively.

⁴¹. The FO informed Spanish diplomats that its Government would support their claims but that it was highly improbable that a meeting would be called on the matter; AGA, C/37132, folder 21: Air cifra no. 150 from the Attaché d'Affaires in London, 13 September 1951, and air telegram no. 168 from the Ambassador in London, 25 October 1951.

⁴². The group of experts set up to study the French memorandum agreed to consider particular commodity agreements with the largest possible membership (British participation included), without commitment to any specific point of principle; AN, F/10/5695: High Commissary of the French Republic in Germany, André François-Poncet to the Director-General of Economic and Financial Affairs, 12 June 1951; and AD, DE-CE 1945-60, vol. 58: François-Poncet to Robert Schuman, Minister of Foreign Affairs, "Plan d'organisation européenne des marchés agricoles", 15 June 1951. The position adopted by the experts was intermediate between that of Ludwig Erhard and Konrad Adenauer. The Federal Minister of the Economy considered that the sectoral approach itself had eliminated the element of compensatory concessions for industrial commodities and left the Government more vulnerable to the pressure of agricultural groups for protectionist measures, whilst the Chancellor could not ignore the (though meagre) political aspects of the Pflimlin Plan.

terms that an approach to them was pointless. Other OEEC countries, playing a minor role in the entire process, left the decision to those governments which had a more direct interest in the Green Pool project. In general, they thought that any initiative concerning Spain was to be taken, if at all, by the French Government as host government of the conference.

The Spanish Ministry of Foreign Affairs turned to Portugal, the Benelux countries and Italy for help to overcome what was considered a new French discrimination towards their country. Portuguese diplomats were first thought of to represent Spanish interests. Portugal, as an OEEC member, had been invited by the Council of Europe to give an opinion on the convenience of a European Agricultural Community. Equally, it was the second member of the Iberian Pact since 1942. As such, Spain invited Portugal to defend its major interests.⁴³ Contrary to Spanish expectations, however, Portugal did not take the French initiative very seriously. It disliked the Council of Europe acting as the convener of the meeting and preferred rather, for purely political reasons, to pass the initiative to the OEEC.⁴⁴ The Portuguese Government only decided in March 1952 to be represented by an observer, as it did not intend to attend any future meeting. Under these conditions it did not appear "either logical or convenient" for Portugal to solicit or support Spanish membership for the organisation.⁴⁵

The Benelux countries were unanimously uncommitted. Spanish diplomats believed Belgium might support them. In fact, Spanish membership interested the Belgian Government even less than the establishment of a European Agricultural Community. Since agricultural negotiations within a broader framework than Benelux would place Belgium in a position not so closely linked to the main source of its difficulties, Belgium accepted reluctantly, as the lesser of the two evils, to discuss some commodity arrangements, particularly if dollar savings. This was the case only after the Belgian Government had received assurances for the protection of Belgian farming states and for

⁴³. MAE, Leg. 5910, exp. 6, carp. 1: Letter from the Director-General of Foreign Policy, José Núñez Iglesias, to Martín Artajo, 27 July 1951.

⁴⁴. AD, DE-CE 1945-60, vol. 58: Telegram from Lisbon, 14 June 1951.

⁴⁵. MAE, Leg. 3445, exp. 22: Despatch no. 181 from Ambassador Nicolás Franco, Lisbon, 28 March 1952.

the elimination of any supranational conception. The Belgian Government saw no gain in complicating further the matter with the incorporation of Spain.⁴⁶ Not surprisingly, Luxembourg, would support Spanish participation only if its Benelux partners did so first and provided that its main agricultural interests were not endangered.⁴⁷ The Dutch Ministry of Agriculture suggested not opposing the Spanish request of membership provided another country presented it. They considered Spain more as a potential market for Dutch agricultural reproduction material (sowing-seed, seed potatoes, breeding cattle) and dairy products than as a competitor in products such as onions and tomatoes.⁴⁸ This position was totally incompatible with Mansholt's idea of a supranational community and consequently did not lead to positive action.

The Italian Government considered it unnecessary to disappoint the Spaniards on an issue for which they forecast a quick death and declared to support the Spanish application with the "maximum interest".⁴⁹ Without the political importance of the Schuman Plan, there was no interest in an initiative which represented the culmination of a long-term trend towards a Franco-German special agreement, even before the corpse of the Franco-Italian customs union was buried. Consequently, the Italian Government proposed that any discussion, which should involve the largest possible number of countries and products and be subordinated to general economic policies, be left in the

⁴⁶. For the Spanish perception of the Belgian attitude towards Spain see MAE, Leg. 5910, exp. 6, carp. 1: Cifras no. 74 and 80 from Ambassador Count of Casa Miranda to Martín Artajo, Brussels, 13 and 23 June 1951, respectively; and Leg. 3445, exp. 22: Cifras no. 92 and 13 from Brussels, 11 July 1951 and 22 March 1952, respectively.

⁴⁷. MAE, Leg. 5910, exp. 6, carp. 1: Cifra no. 44 from Brussels, 29 July 1951. In its reply to the French, Luxembourg had demanded prior recognition of its protected status within any agricultural arrangement, as enjoyed within both the BLEU and the Benelux; AN, F/10/5694: Luxembourg's commercial attaché in Paris to Quai d'Orsay, 17 May 1951. Luxembourg managed to obtain an almost complete exemption from all the then existing provisions in agriculture within Benelux.

⁴⁸. Ministerie van Landbouw, G.S. Arch. 2, Integratie Europese Landbouw, 5: The Head of the International Organisations Division at the Dutch Ministry of Agriculture to the Dutch Minister of Foreign Affairs, "Note for the Minister", 24 September 1951 (document provided to the author by Richard T. Griffiths); and MAE, Leg. 3445, exp. 22: Cifra no. 14 from The Hague, 24 March 1952.

⁴⁹. MAE, Leg. 5910, exp. 6, carp. 2: Cifra no. 236 from Rome, 15 September 1951; and Leg. 3445, exp. 22: Cifra no. 251 from Rome, 28 September 1951. The Spanish diplomatic services were generally informed by the Italian Ministry of Foreign Affairs.

hands of the OEEC. Migration and labour problems and more effective trade liberalisation in fruit and vegetables, could be more appropriately approached in that forum.⁵⁰

Close to the conference date, Spanish (and British) Green Pool membership constituted the first *sine qua non* condition for Italy to accept participation in the Green Pool.⁵¹ To present Spanish participation in such terms was a clear-cut political position which was difficult to sell to domestic and international public opinion. When the question came up for discussion in March 1952, the argument was that if left outside the Green Pool, Spain "would benefit from a freedom prejudicial to Italy" since Spain competed with Italy in some export commodities such as citrus, some vegetables and wine, on Italy's largest export markets, Germany and the United Kingdom.⁵² The French Minister of Agriculture argued that if the main official concern of the Italian Government was labour, Spanish participation would entail twofold competition for Italy. The Italians replied that Spain, benefiting from a freer position to export to Great Britain, presented a far greater problem, in economic as well as in political terms, than possible competition in the field of labour movement. This Italian attitude could be explained by the relative experience of Italy and Spain at the time of the OEEC's liberalisation programme for

⁵⁰. Official response to the French Government's invitation to open international negotiation on the issue of European agricultural integration in AN, F/10/5694: Italian Government Memorandum attached to the letter from Mr Paris to Schuman, Strasbourg, 29 May 1951. This came as no surprise since Italians had constantly presented labour surpluses as Italy's main domestic problem, since they endangered economic options and caused social conflict and political instability. Some authors considered the exportation of manpower surpluses as the main trend of Italian policy towards European cooperation and integration; Federico Romero: "L'integrazione dell'Italia in Europa negli anni cinquanta: la questione dell'emigrazione", Passato e presente, no. 20-21, May-December 1989, pp. 75-105.

⁵¹. AN, F/10/5694: Telegram from Rome, 6 March 1952, and ASMAE, DGAP, b. no. 167: Telegram from the Italian Ambassador in Paris, Pietro Quaroni, 9 March 1952.

⁵². AN, F/10/5553: Handwritten note, "Principales questions évoquées lors de l'entretien entre MM. Laurens et Fanfani [French and Italian Ministers of Agriculture]", n/d, March 1952, and "Compte-rendu des conversations entre M. Camille Laurens et M. Gui, sous-Secrétaire d'Etat italien à l'Agriculture", Verona, 14 March 1952. At the elections of mid-June 1951, farmers gave their support to republicans, the Peasant Party and to independent farmers campaigning in different parties who created the *Amicale parlementaire agricole*, a multiparty farm bloc; see contributions in Jacques Fauvet and Henri Mendras (eds.): Les paysans et la politique dans la France contemporaine, Paris [Librairie Armand Colin] 1958. After Pflimlin's dismissal and a short interim by Paul Antier, President of the Peasant Party, Camille Laurens (1906-1979), member of the farm bloc close to the FNSEA, became minister in November and remained so until June 1953.

agricultural trade and of import restrictions in Germany, the United Kingdom and France. Italian persistence drove the French representatives to consider the political implications of any Spanish participation.⁵³ Spanish diplomats believed Italy was to present the admission of Spain to the conference and that Fanfani carried the proposition in his portfolio.⁵⁴

The Spanish question was unimportant for most of the governments involved, at least until the exact nature of the proposals for an agricultural community could be perceived. The Italian Government's interest in Spain was a subterfuge to adopt a strong position from which to bargain concessions for itself. The intention was to threaten France with polluting the debate by throwing in the Spanish question. The disruptive political and public opinion effects of the Spanish question would have restricted Laurens' room for manoeuvre, already limited by the pressure exercised by French agricultural organisations.⁵⁵ In order to avoid this, they expected a French commitment to set up the necessary measures to defend Italy's exporters of agricultural commodities against off-pool competition, which would cover the Spanish citrus and vegetable sector. Only when and if such measures were formulated would the Italian Government withdraw the question of Spanish participation.⁵⁶ The stratagem succeeded as the Italians had expected. However, this Italian position was completely unnecessary. On the one hand, intra-European preference was a basic principle of any French pro-European initiative and France could not have denied it to the Italians simply because they had demanded it for themselves, in particular, with respect to wheat. On the other hand, since the French wanted to save their face on the initiative and needed the Italian presence, they would have agreed beforehand to anything the Italians would have put forward without recourse to the point on Spain. In fact, apart from the intra-European preference, they agreed, in

⁵³. See previous references to Laurens talks with Italian officials and ASMAE, DGAP, b. no. 167: Quaroni to Rome, 14 March 1952, about Pflimlin's.

⁵⁴. MAE, Leg. 3445, exp. 2: Cifras no. 10 and 68 from Brussels and Rome, 15 and 22 March 1952, respectively.

⁵⁵. Noël: "Les groupes de pression agricoles français et le projet d'organisation de l'Europe agricole entre 1950 et 1954", EUI Colloquium Paper no. 315/90 (Col. 49), Florence, November 1990.

⁵⁶. ASMAE, DGAP, b. no. 167: Cifra no. 2319 to Quaroni, Rome, 10 March 1952 and telegram from Quaroni, Paris, 13 March 1952.

principle, to Italy raising the question of the liberalisation of labour movement, the enlargement of the list of products and avoiding the term high authority as well as imposing preconditions many other countries would have found difficulty in meeting.⁵⁷ The historical consideration, however, is that the Italians rated obtaining assurances from the French very highly. This was totally insufficient at the future negotiating table. The outcome would depend on the multilateral bargaining process similar to the Schuman Plan negotiations, where the Italians had actively taken part.

The Spanish Administration was facing a new reality, which was difficult to handle by means of its traditional statecraft alone. At the time of the Marshall Plan, Spain approached the United States assuming that once the Americans had been persuaded to extend the scheme to Spain, they would be able to make the Western European nations comply. Equally, at the time of the OEEC's liberalisation programme, Spain initiated a bilateral bargaining process with each individual OEEC member state to obtain the advantages of liberalisation. In contrast, the question of Spain's Green Pool membership escaped the logic of bilateral bargaining, simply because the position of each of the participating states on the question did not depend directly upon its politico-economic relations with Spain. Rather, the attitudes of these countries were defined by their specific position towards the Green Pool issue as a whole and their views on the possible reaction of the other participating nations. Since the Green Pool was not the place to change policy towards Spain, the latter did not take part in the preparatory meeting of the OEEC's member states Ministers of Agriculture, held at Palais de Chaillot, Paris, in March 1952, to discuss the suitability of a European organisation for agricultural markets. This was not the result of a new leftist conspiracy to further isolate Spain, as Spanish diplomats later contended.⁵⁸ It was primarily because most nations still had to decide precisely what the Green Pool meant before they were ready to adopt any decision regarding new members.

⁵⁷. Schuman, Pflimlin and Laurens provided guarantees to Italy in relation to the different points presented; *ibid.*, Telegrams from Quaroni to Rome on 13 March 1952 (concerning Schuman's assurances), on the 14th (for Pflimlin's) and on the 26th (for Laurens').

⁵⁸. MAE, Leg. 3445, exp. 22: "Informe Pool Verde", Summary Report on the entire process of Spanish struggle for Green Pool membership, Madrid, 22 November 1952.

The European Agricultural Community was still at a stage of development far from any unanimous agreement. The main question on the agenda, due to Mansholt's relentless pressure, was whether the pool should be restricted to the Six. For Mansholt there was still a chance of a spectacular outcome in which some countries would reject the invitation and others be scared away, leaving the Six by themselves to move towards a supranational authority. However, none of Mansholt's colleagues from the ECSC countries, particularly France, accepted the supranational alternative. Representing the rural party within the French government, Laurens was unwilling to accept a consultative body on the lines suggested by the British, although he was certainly not committed at all to a supranational solution.⁵⁹ This broke the only (although feeble) common link between the Pflimlin and Mansholt Plans, which differed radically from each other. The former was a set of preferential agreements for a few farm products, whereas the latter aimed to improve production conditions by eliminating the obstacles to trade for the great bulk of agricultural products. The Pflimlin Plan foresaw a gradual elimination of trade barriers by progressively equalising the structural conditions of production. The Mansholt Plan aimed at immediately introducing an effective High Authority and a European trading price and a repeal of protective measures, as a precondition for the establishment of a free exchange of agricultural products within the Six. The only common ground left between both was the desire for outlet markets, most particularly in Germany, which made them contenders rather than partners.

The questions under debate were of an essential nature. When Laurens met Mansholt, on 6 February 1952, the former opposed the Dutch attempt to make the conference collapse by placing the High Authority issue high on the agenda.⁶⁰ The

⁵⁹. French agricultural organisations rejected the supranational authority as a threat to the independence of a sector depicted as requiring special treatment; i.e., Note by the Council of Administration of the Fédération Nationales des Syndicats d'Exploitants Agricoles, dated 30 August 1951, cit. in Hélène Delorme and Yves Tavernier: Les paysans français et l'Europe, Paris [Librairie Armand Colin] 1969, p. 20; AN, F/10/5553: Confédération Générale de l'Agriculture, Press release, 24 January 1952 and AN, F/10/5694: "La création de marchés communs de produits agricoles", Note by the FNSEA, 13 February 1952.

⁶⁰. AN, F/10/5553, Handwritten notes "Conversations du 6 février entre Messrs. Pflimlin, Laurens et Mansholt" and "Conversations du 6 février entre Messrs. Mansholt Ministre de l'Agriculture de P.B., Pflimlin, Laurens"; ASMAE, DGAP, b. no. 167: Telegram from Quaroni to Rome, 26 March 1952.

"questions préjudiciales" which all Governments had put forward made the French issue invitations to a *preliminary* conference in which nobody had to provide advance commitments as was the case in the Schuman Plan negotiations.⁶¹ Laurens agreed with Fanfani that the European Agricultural Community could not follow the model of the ECSC and leave the British outside.⁶² Even Pflimlin, who in December 1951 had tried with Monnet to return to the idea of a conference involving the Six alone, considered that the question of a high authority should be left to a latter stage, if at all, and would be limited to what was strictly necessary.⁶³ Laurens' first speech at the Paris conference, March 1952, called for a common market synchronised with the progressive harmonisation of production. For the sake of reality, he suggested a study of market conditions for a few commodities before following up new stages in market integration.⁶⁴ In these uncertain circumstances it was difficult to invite the Spanish until a clarification of what was to be set up came to light. Any suggestion for Spanish participation would have inevitably caused most delicate political issues to arise without any compensating practical advantage.

European Ministers of Agriculture meeting in Paris in March 1952 only partially clarified the matter. They were not able to determine what the Green Pool meant in institutional terms, apart from the obvious fact that their meeting was not part of the

⁶¹. PRO, MAF 83/3388: Telegram 621 from FO to Paris, 23 February 1952.

⁶². AN, F/10/5553: Handwritten note of the meeting between the technical delegations headed by Ugo Pappi and Louis Rabot, which followed the Fanfani-Laurens talks in March 1952. The Italian position concerning the matter is clearly expressed in AN, F/10/5694: The French Ambassador in Rome to Quai d'Orsay, 21 February 1952, reporting on a conversation with Paolo Emilio Taviani, Italian Under-Secretary for Foreign Affairs. Both Pappi and Rabot were the experts of their respective ministries of agriculture for international negotiations. The latter would later be elected overall chairman of the future Interim Committee of the conference on the organisation of European agricultural markets.

⁶³. ASMAE, DGAP, b. no. 167: Telegram from Quaroni, Paris, 14 March 1952. For the joint Pflimlin-Mansholt initiative in December 1951, see Griffiths and Milward, *op. cit.*, pp. 33-34.

⁶⁴. "La plus grande suplesse doit préveloir"; AN, F/10/5359: "Discours de C. Laurens, Ministre de l'Agriculture (France). Réunion préparatoire Ag/prop/Doc. 3, 1ère séance, Paris, 25 March 1952. For details on the conference, in which all the OEEC member-countries, except Portugal, Trieste and Iceland participated, see PRO, CAB 134/1012: "Report on the Preparatory Conference held in Paris on 25 March 1952", and MAF 83/3388: "Notes on the Pflimlin Conference in Paris 25th-28th March 1952", 4 April 1952. For the different national positions see Griffiths and Milward, *op. cit.*, pp. 38-40.

OEEC or Council of Europe's activities. They decided to set up an Interim Working Party (hereinafter IWP) to proceed with the technical study of those commodities suitable for consideration to be subject to the future organisation of European agricultural markets as a preliminary to any decision on the structure and powers of the institutions required. The list of commodities would then be examined by a second ministerial meeting scheduled for March.

To attend the March meeting was Spain's new diplomatic target. The Spanish Ministry of Foreign Affairs reclaimed Spain joining the initiative on a new basis. That Spain could not be invited because it did not belong either to the Council of Europe or the OEEC, as the French had argued in July 1951, lost weight when the agricultural ministers agreed to convene the European conference on agriculture on an *ad hoc* basis and not under the auspices of any of the existing international organisations.⁶⁵ In addition, several countries had declared an interest in Spanish participation.⁶⁶ Initial contacts immediately took place between the Iberian neighbours since Portugal, who had not sent experts to the March meeting, joined the initial group at the working parties stage. Following the Spanish request, Portugal proposed to invite Spain, which received little commitment on the part of the other participating countries.⁶⁷ A new initiative for cooperation in the field of transportation appeared to offer Spain an opportunity to gain admittance to the agricultural conference. The Spanish Government linked agricultural and transport cooperation questions. How they did this requires a few words about the European transport initiative.

⁶⁵. For the main decisions taken by ministers of agriculture in March 1952, see European Yearbook. Vol. 1, The Hague [Martinus Nijhoff] 1955, p. 509.

⁶⁶. MAE, Leg. 5910, exp. 6, carp. 2: Cifra to Embassies in London, Rome, Lisbon and Dublin, and the Legations in The Hague, Copenhagen, Oslo and Bern, Madrid, 20 March 1952.

⁶⁷. Ibid, Despatch from the Portuguese Embassy in Madrid to the Spanish Ministry of Foreign Affairs, "Conferencia dos mercados agricolas europeos", 16 June 1952.

7.3.2. Transport Cooperation as a Bargaining Tool

Transport cooperation offered the Spanish Government, for the first time after World War II, to directly partake in a pro-European debate. The technical nature of the field itself removed the different transport proposals from the glare of European public opinion, making the political considerations, which had been paramount elsewhere, less predominant. Due to its geographical position, the Spanish inland transport system intervened between the transport systems of two OEEC countries. Any European transport organisation which did not include Spain was unfavourable to the French inland connections with North Africa and lacked interest as far as Portugal was concerned. In fact, the specific gauge measure of the Iberian railway network placed Portugal's inland transport frontier at the Pyrenees. Portugal had to be linked overland to the rest of the continent through its neighbour or not at all.⁶⁶ Finally, the consideration of Spanish territory as a possible rear area in the event of an armed conflict in Western Europe, might have eased the decision to improve the technical collaboration with the Spanish Government in a field with an essential logistic role.

The first proposal for the creation of a high authority for transport, the so-called Plan Bonnefous, named after the French deputy Édouard Bonnefous, presented to the Consultative Assembly of the Council of Europe in August 1950, posed no objection to

⁶⁶. Since the years of the construction of the first train in Spain, around the 1840s, the standard Spanish 1.672 meters railroad gauge was adopted. Portugal adopted the same gauge. The USSR's railway gauge is 1.524 meters, while the European standard is 1.435 meters. The idea lying behind the decision adopted was that the broader gauge would turn out to be money-saving in the long term. Without heavily increasing the costs of route establishment it would allow the use of locomotives of larger dimensions to produce, at a given time, the necessary steam to carry the same cargo with a faster speed. The different attempts to change the railway gauge structure can be followed in Rose Albert Dupont: Les transports par chemin de fer dans les rapports franco-espagnols, Paris [Librairie du Recueil Sirey] 1946. The argument, which has stood the test of time in politics, is that narrowing the Spanish railways network would always be uneconomical, since it would only bring about a reduction in costs for international commercial traffic across the Franco-Spanish frontier. Some historians like to remain attached to the idea that the adoption and running of a different gauge responded to the political will of isolationism, Jean-Claude Allain: "Introduction" to the special issue on Spain of Relations internationales, no. 50, 1987, pp. 143-46, p. 144.

the participation of Spain.⁶⁹ The effective opposition of some deputies to the plan itself, submitted for study to different committees until November 1951 when the original plan's authority was transformed in a European Transport Office, saved the Assembly the embarrassment of facing a vote concerning the inclusion of Spain. The OEEC's first attempt to improve (what was considered to be) an inadequate inland transport machinery came in August 1951 with the idea of calling a conference of experts.⁷⁰ A technical assistance mission was sent to the United States in March 1952 to study the organs, powers and functions of the Inter-State Commerce Commission and make the corresponding proposals to the OEEC Council.⁷¹ There were high Spanish expectations that, given the Portuguese representation and the interest of securing unanimity at the OEEC Council, Spain would be invited if a conference should be convened, which was exactly the case. Finally, on 23 April 1952, the French Cabinet adopted the initiative of André Morice, Minister of Transport, to call a transport conference.⁷² The main features of this initiative indicated that, had it materialised instantaneously, the Spanish Government would have been invited.

Morice's proposal was restricted to railways (which covered 75-80 per cent of the

⁶⁹. Council of Europe, Consultative Assembly: Second Session I 7-28 August 1950. Reports Part II, Strasbourg, 1950. I would like to thank Jan Brabers for pointing this element out to me.

⁷⁰. PRO, FO 371/100273: Document SGD(51)96, note by the Secretary General of OEEC on the European inland transport situation, dated August 1951. In the note, it was affirmed that the unsatisfactory state of the inland transport situation and the inadequate existing international transport machinery warranted the calling of a conference of experts by the Council of OEEC to study means of improving the situation.

⁷¹. The British attitude was essential to allow the OEEC Council to take action. The British Government had replied to Mr Paris's note with the view that the then existing international transport machinery was not appropriate for a dispassionate study of transport in Western Europe and to the recommendation that the OEEC Council should sponsor the calling of a special conference of transport experts to make recommendations to the Council on future work and organisation in the field; *ibid.*, "Reply of the United Kingdom Government", n/d, September 1951.

⁷². AN, F/10/5552: Secrétariat Général du Gouvernement: "Communication de Monsieur le Ministre des Travaux Publics, des Transports et du Tourisme, sur l'opportunité actuelle d'une intervention gouvernementale en faveur de l'intégration européenne des Chemins de fer", Paris, 22 April 1952. The Spanish Government was informed by MAE, Leg. 3166, exp. 8: Despatch no. 906 from the Spanish Embassy in Paris, "Proyecto organización transporte europeo", 23 May 1952.

André Morice (1900-1990), a business man in public works and minister of public works, transports and tourism, between March 1952 and June 1953. Most of the credit for the proposal might be deserved to Antoine Pinay, Morice's antecessor from June 1950 to March 1952.

transport service within the Six) and limited to a technical gathering to increase the authority of the International Union of Railways (henceforth, IUR).⁷³ Spain's IUR membership would have made it very difficult to avoid the participation of Spanish technicians, especially when there was no mention of any supranational scheme. Morice proposed to deal with problems involving little political risk (such as the pooling of wagons, the standardisation of railway material and the common electrification of networks) because his aim was exclusively to provide the excuse for a pro-European conference to the Council of Europe and the OEEC endangering the transport negotiations on the discriminatory rates in the transport of coal, steel, scrap and iron ore, scheduled after the entry into force of the Treaty of Paris, on 25 July 1952.⁷⁴

Steel producers in the Ruhr received direct protection against Lorraine industry through the application of higher transport rates on coke. The crux of the problem was that Lorraine depended more intensively on heavy imports of coke from the Ruhr, than the latter depended on Lorraine iron ore. This unequal relation impeded the French from retaliating by raising the charges on iron ore and led them to force a general removal of

⁷³. This was perceived as an attempt to improve the bargaining position of the French railways with regard to inland-water ways; AN, F/10/5552: François-Poncet to Schuman, "Les problèmes que pose l'institution d'un pool européen des transports", Bad-Godesberg, 14 May 1952.

⁷⁴. According to § 10 of the provisional convention, a special committee appointed by the High Authority but composed of nationally chosen experts was to study, between July 1952 and December 1954, the conditions of applicability of the transport provisions of the ECSC Treaty (arts. 14 and 70), which outlawed discrimination in rates and conditions of carriage of coal and steel and made the transport of intrastate coal and steel traffic at the same rates and conditions as intrastate traffic over the same route obligatory. The committee was to propose measures to eliminate discriminatory practices, to examine the problem of the harmonisation of transport rates, and to draw up degressive international rates. Proposals in the first field were to come into effect with the establishment of the common market for coal, in February 1953. The effects of the manipulation of transport rates for the traffic of goods are similar to those of tariffs, that is, they favour local producers and discourage foreign competition within national boundaries. This was of a high importance for the ECSC because the four commodities mentioned in the text accounted for about one half of the total volume of transportation within the Six; William Diebold Jr.: The Schuman Plan. A Study in Economic Cooperation 1950-1959, New York [Praeger] 1959, p. 161. The aim of degressive international rates was to apply the benefits of national degressive charges (rate per kilometre diminishing gradually with distance) to goods crossing frontiers so that the final cost of transport would be similar to what it would have cost if it had taken place in a comparable distance within a single country. This was the solution to the so-called *rupture de charge*, whereby goods passing from one member country to another were treated as a series of separate shipments stopping and starting again at each frontier with the consequent charge of loading and terminal fees.

discriminatory transport rates. The French authorities expected that this process, which the commission of transport experts was to study in brief, would improve the competitive conditions of its steel industry over its German counterpart (as well as an expansion of Saar and Lorraine coal and iron ore exports to southern Germany), by guaranteeing on an equal footing the supply of raw materials and the distribution of finished goods, for which transport costs represented a high share of the final price. It was estimated that the cost of transport represented up to 35 per cent of the value of coal and iron ore at final destination and between 20 to 25 per cent of the price of steel supplied to consumers.⁷⁵

Morice's initial call materialised when new initiatives from the OEEC and the Council of Europe threatened to disturb the future negotiations of the ECSC's committee of transport experts. Both proposed broader-membership organisations to take care of transport questions since they considered that any action in the field of transport to be adopted by the Six would have important effects on the economies of the other European countries. The OEEC's Inland Transport Committee, after examining the first part of the report of the OEEC mission of experts to the United States, proposed to set up a working party to consider the proposal to convene an international conference of transport experts. The British warmly supported this initiative "to avoid the French Government seizing the initiative and calling an *ad hoc* conference", which would inevitably "reproduce some of the less desirable qualities of the current Pflimlin Plan".⁷⁶ At the Council of Europe, the former director of the SNFC and chairman of the IUR, RPF deputy Maurice Lemaire,

⁷⁵. AC, MPW, 790.176/13: "Le problème des transports au sein de la Communauté européenne du charbon et de l'acier", by R. Hutter, Vice Chairman of the High Authority's transport division, 29 May 1953, pp. 9 and 11. For examples of the effects of discriminatory transport practices see ECE: Economic Bulletin for Europe, Geneva, 1950, vol. 2, no. 2, and Diebold, The Schuman Plan, cit., pp. 154-93. Detailed accounts of the transport situation which the community faced in its earlier days are AC, MPW, 780.056/69: "Rencontre avec Mr. Charbonnier", civil servant at the Belgian Ministry of Public Works, 30 September 1952; Hutter's report, cit.; Derek Curtis Bok: The First Three Years of the Schuman Plan, Princeton [Princeton University] 1955, pp. 19-27; and the ECSC High Authority's first, second and third general reports, dated in April of 1953 to 1955. Brabers: "The Failure of European Transport Integration", in Gilbert Trausch (ed.): La construction de l'Europe du Plan Schuman aux Traités de Rome, (forthcoming), a first advance of his doctoral dissertation, represents a change in the traditional pattern of scarce historical attention being devoted to transport integration.

⁷⁶. PRO, FO 371/100273: FO to United Kingdom Permanent Delegation to OEEC (henceforth referred to as OEEC UK Delegation), 1 September 1952.

proposed a European Transport Council in charge of making proposals to governments. Possibly as a means of bringing matters to a head, the Assembly adopted this proposal unanimously on 26 September 1952 and sent it to the Committee of Ministers whose deputies were to consider it in November 1952. Although purely advisory in character, these initiatives threatened to delay the inquiry into all kinds of German exceptional transport rates concerning coal and coke, which the ECSC High Authority's special committee of transport experts was to inventory.⁷⁷

Morice decided to convene a transport conference at ministerial level, prior to any other experts gathering, with an agenda consisting entirely of technical items "too complex" for the OEEC. This was the main argument presented by the French delegation to unilaterally oppose the recommendation of the inland transport committee to convene an international conference of experts, which had been received favourably by all members when the OEEC Executive Committee considered the question.⁷⁸ The general reaction was that, whatever the questions were, they could always be discussed in the ministerial committee or at the special meeting to be convened by the OEEC. Soutou, head of the French delegation to the OEEC, confessed to members of the British delegation that "the trouble was that M. Morice was determined that in addition to a Schuman Plan and a Pflimlin Plan, there should be a Morice Plan".⁷⁹ In other words,

⁷⁷. AD, DE-CE 1944-1960, vol. 561: François-Poncet to Schuman, "Application aux transports ferroviaires du Traité instituant la Communauté européenne du charbon et de l'acier", Bad-Godesberg, 16 September 1952; AC, MPW, 790.176/13: Comité interministériel pour les questions de coopération économique européenne: "Relations avec la Communauté du charbon et de l'acier. Commission d'experts en transports", 29 September 1952. The Committee mentioned was created in June 1948 to coordinate the French intervention at the Marshall Plan at the OEEC; see Pierre Gerbet: "L'élaboration des politiques communautaires au niveau national français", in Joël Rideau (ed.): La France et les Communautés européennes, Paris [Librairie général de droit et jurisprudence] 1975, pp. 379-98.

⁷⁸. PRO, FO 371/100273: Telegram no. 640, OEEC UK Delegation to FO, 4 October 1952. The day before the Spanish Government was informed that France was addressing an invitation to the Spanish Minister of Public Works; MAE, Leg. 3166, exp. 8: Report by Federico Reparaz, technical attaché at the Spanish Embassy in Paris, "Proyecto del Gobierno francés de convocatoria de una Conferencia de Señores Ministros de Obras Públicas y Transportes de la Europa Occidental para el estudio de una Organización Europea de Transportes", 3 October 1952.

⁷⁹. PRO, FO 371/100273: Telegram no. 642 from Sir Hugh Ellis-Rees to FO, 6 October 1952.

Sir Hugh Ellis-Rees (1900-74) Financial Adviser to The British Embassy to Spain (1940-44), Member of the UK Delegation to OEEC with ministerial rank in 1948, vice-chairman of the Managing Board of EPU (1950-51),

reasons of personal prestige would have led to a ministerial conference, which had no support from any of the ECSC countries' delegations at the OEEC, nor was it wholeheartedly backed by French OEEC representatives. This was a simplistic view of Morice's intentions.

The desire for personal fame is diminished strongly by the fact that Morice did not consider a supranational scheme. It can also be argued that this lack of supranationality did not correspond to the pressure exercised by the Quai d'Orsay, which wanted to leave things as they stood.⁸⁰ The explanation should be found more naturally in the purpose itself of Morice's proposal. Earlier in that same year, Morice simply expected to cut across the proposals put forward by the Council of Europe and the OEEC to leave the ECSC's transport committee undisturbed. Otherwise, it would have been more logical (although not simpler!) to suggest to the Schuman Plan countries to develop a transport organisation out of the ECSC committee of transport experts.⁸¹ Morice considered that any action on the lines proposed by either the Council of Europe or the OEEC would have provided French competitors with an excuse to make a gain from the imprecision of the transport provisions in the Paris Treaty and curb the activities of the ECSC on coal and steel transport and lift the transport discussions from the command of the ECSC.⁸² This represented a threat, because the establishment of the common market

Permanent Delegate in 1952 with rank of Ambassador (1954-60), Official Chairman of OEEC (1952-60), Head of the World Bank Mission to Spain (1961-62), Chairman of the Anglo-Spanish Society (1967-73), Director of Tharsis Sulphur and Copper Co., since 1963. He received the Grand Cross Isabel la Católica in 1967.

⁸⁰. Brabers (op. cit.) argues, based on the archives of the Dutch Ministerie van Buitenlandse Zaken, that the Quai d'Orsay stopped Morice from following such a path in order not to distract other preferential diplomatic moves, in particular, the European Defence Community.

⁸¹. He dismissed a similar action arguing that it would have divided Europe's transport systems and lead to great difficulties. PRO, FO 371/100273: Brigadier A.E.M. Walter, official at the International Inland Transport Branch of the British Ministry of Transport and future leader of the British delegation to the OEEC transport conference, to the OEEC UK Delegation, 20 September 1952, informing of a meeting held at the French Ministry of Public Works on 12 September 1952. According to Walter, senior officials at the French Ministry of Transport had favoured the OEEC solution as more practical.

⁸². François-Poncet felt the same way: "L'attitude de M. Lemaire va fournir à nos concurrents un prétexte inespéré pour différer ces réformes. Elle est donc extrêmement dangereuse." AC, MPW, 780.056/69: "Note" attached to despatch no. 3328 from François-Poncet to Schuman, Bad-Godesberg, 25 October 1952. Bok provides interesting comments on how the transport provisions of

for coal would impose the unconditional opening of the French market to German and Belgian competition and the official support enjoyed by Lorraine producers would soon be under inquiry by the High Authority. The elimination of the most outstanding discriminatory transport rates was perceived as beneficial in reducing costs to French steel producers.⁶³

Morice's reactivated proposal intended that Transport Ministers from all over Europe would get together to discuss minor points in a technical framework, in an attempt to apply the brake to other disturbing initiatives. The only important modification introduced, concerning Morice's previous call, was that Transport Ministers would deal with inland-transport and not exclusively railways. This was the immediate result of pressure put forward by interest-groups related to inland-waterways in their particular domestic struggle with the French railways, SNCF. It was also a direct consequence of art. 2 of the law of 10 April 1952, which authorised the ratification of the ECSC Treaty and demanded the initiation of negotiations with the Germans on the question of the navigability of the Moselle.⁶⁴ This river flows from the Vosges mountains, through the heart of the Lorraine and Saar iron and steel industry, into the Rhine at Koblenz. The reduction of transport costs for the iron and steel industry in Lorraine (by lowering the transport costs of imported Ruhr coke and French and German railway rates) was the main force behind the project to make the lower Moselle navigable (approximately 270 kilometres between Thionville and Koblenz). Furthermore, once completed, this project would have improved French steel conditions in overseas markets by the opening of a water route, via the Rhine, to Rotterdam and the reduction of shipping charges for

the treaty could be interpreted differently, as well as references to the conflicting interests involved and the transport commission's activities (op. cit., p. 22 and note 22).

⁶³. AC, MPW, 790.176/13: Comité interministériel pour les questions de coopération économique européenne: "Relations avec la Communauté du charbon et de l'acier. Commission d'experts en transports", 24 October 1952, and General Division for Mining and Steel Industry: "Problèmes des transports dans le cadre du pool charbon-acier", 2 November 1952; and AC, MPW, 780.056/59: François-Poncet to Schuman, 25 October 1952.

⁶⁴. AC, MPW 770.763/20 and 780.056/69 contains numerous reports on the question and shows the continuous pressure from the French Federation of Inland Waterways.

exported steel.⁸⁵

The German authorities had opposed any discussion on the matter.⁸⁶ German coal and steel industries derived considerable advantage from their location in a well-integrated system of rivers and canals, where rates were considerably lower than railways rates. The canalisation of the Moselle implied losses for the German railways and directly favoured competition against the Ruhr industries by lowering Lorraine industry costs. Larger amounts of Lorraine *minette* were unnecessary. Swedish ores were more appropriate to the German plants which were equipped to process high-content ores (allowing for economy in the use of coke) and Swedish iron ore prices were sufficiently reduced to discourage any investment to convert the Ruhr installations.⁸⁷ Morice's conference, thus, would have allowed the ECSC committee of experts to continue its activities undisturbed, while imposing the fundamental Moselle affair upon the Germans, among other strictly bilateral questions.

Morice invited his Spanish colleague, the Count of Vallellano, with a similar intention, to attend the ministerial conference on European inland transport to take place in Paris in January 1953.⁸⁸ Vallellano greeted the offer warmly. Among the most important bilateral problems on the agenda was that of giving international service status to the frontier posts of Irún-Hendaya, Canfranc-Port-Bou at the common Pyrenean border. Other bilateral questions were the road connections Nice-Barcelona and Paris-Casablanca,

⁸⁵. AC, MPW 770.763/20: "Note pour Monsieur le Ministre", 15 October 1952. It was estimated that the canal would enable the steel plants in Lorraine to lower the transport costs of Ruhr coke by, at least, 25 to 30 per cent; Bok, op. cit., p. 25.

⁸⁶. Documentation in AC, MPW, 790.176/13.

⁸⁷. See Bok, op. cit., p. 26. In fact, although German ore production declined between 1952 and 1954 by 25 per cent, the amounts of ore received from Lorraine and Luxembourg declined by 59 per cent between 1952 and 1954; High Authority: Third General Report, 10 April 1955, p. 80. There was some French opposition to the project too, specially from the port authorities of Strasbourg and Dunkirk, who feared for its traffic share and from the SNCF who objected to the consequent reduction of freights. The unified electrification of networks was the alternative proposed by the railways authorities of Germany and France.

⁸⁸. MAE, Leg. 3166, exp. 8: Letter no. 1031 from the French Embassy in Madrid, n/d, to be dated early in December 1952.

Fernando Suárez de Tangil y Angulo (1886-1964) Law Expert of the Conseil d'État and convinced Monarchist, appointed minister of public works on 18 July 1951 at seventy-four years of age. He resigned in July 1957.

some difficulties in the traffic of goods through both countries and the imposition of quotas on the number of Spanish trucks allowed into France. They were all matters already under bilateral negotiation at the time.⁸⁹

The Spanish Ministry of Foreign Affairs immediately considered that the specific motivation behind the invitation was to force Spain to give satisfaction to the French on several bilateral questions by placing them within a multilateral framework. Bilateral problems, diplomats said, should only be discussed bilaterally and not thrown into a multilateral framework to put pressure on the weakest partner. In their view, the informal discussions on the convenience of a European framework for transportation, announced as the main objectives of the Conference, played a cosmetic role behind which French interests were hidden. Much to the satisfaction of the Spanish Ministry of Foreign Affairs, all the reports on the subject coming from Paris revealed an image of French precipitation attempting to conceal matters of exclusive French interest. Besides, Spain was unwilling to collaborate in the creation of a new European organisation but was willing to develop any other to which Spain belonged, such as the IUR, as the original Morice Plan had suggested. The Spanish Ministry of Foreign Affairs would have preferred the then existing circumstantial *modus vivendi* to any other initiative.

This was naïve, however, since even the OEEC was inviting Spain to its own initiative. A ministerial conference had replaced the initial proposal for a conference of experts, to supersede both the deliberation within the Council of Europe and Morice's attempt for independent action. The participation of non-OEEC countries had presented initial difficulties of a political and technical nature.⁹⁰ Several OEEC members, Portugal, Turkey, Greece, Switzerland, Germany and France, to varying degrees and on strictly

⁸⁹. MAE, Leg. 3166, exp. 8: Despatch no. 2443 from the Spanish Embassy in Paris, "Invitación de la OECE a España para conferencia preparatoria Convenio 'Organización Europea Transportes'", 15 December 1952; and AC, MPW, 770.763/20: "Conference des Ministres des transports, Chemins de fer. Echanges ferroviaires entre la péninsule iberique et la France", 29-31 January 1953.

⁹⁰. The British had perceived it as preventing any future body from being attached to OEEC in an acceptable manner; PRO, CAB 134/1010: MAC(52)45th meeting, "European Inland Transport. A note by the FO and the Ministry of Transport, containing a draft brief for the United Kingdom representative on the working party set up by OEEC", 14 November 1952.

technical grounds, were anxious that Spain and Yugoslavia should be invited to attend the proposed inland transport conference.⁹¹ The British delegation reserved its position in an attempt not to appear as chief obstructionists and left the Portuguese and French delegates to rebuff other delegations' objections.⁹² The OEEC Council adopted a resolution, at its meeting on 9 December, convening a conference *under the auspices* of the OEEC to meet on 18 March 1953, in Paris. Under the veto threat of those who felt strongly discriminated against by the exclusion of Spain and Yugoslavia, the Council agreed to invite the aforementioned two countries to take part in the drafting of an international convention creating a European Inland Transport Organisation.⁹³

By the end of 1952, Spain was encouraged to leave behind its troubled isolation in European multilateral affairs. Furthermore, the Spanish Government was informed of the possibility that Spain might also be invited by the French Cabinet to another initiative to set up a European Health Authority.⁹⁴ The important political dimension involved, proof of how Franco's Spain was overcoming international political ostracism, allowed Spanish diplomats some room to manoeuvre for the first time since 1947. The fact that

⁹¹. The French, in particular, asked for and received an assurance that if Spain and Yugoslavia were not at the conference this would not exclude their participation in any eventual organisation; PRO, FO 371/100273: Telegram no. 765, Ellis-Rees to FO, 21 November 1952, reporting on the meeting of the special working party set up by the OEEC Council to report on the terms of reference for a conference to study an organisation of inland transports, held on the 19th.

⁹². Ibid., telegram no. 274, Ellis-Rees to FO, 3 December 1952, informing of a meeting of heads of delegation on that same day.

⁹³. For the terms of reference of the ministerial resolution see European Yearbook, vol. 1, cit., p. 469. The OEEC convened the conference *under the auspices of and not within the OEEC*, to facilitate the participation of Spain and Yugoslavia. The latter would have automatically limited the conference to OEEC members. Portugal hurried to communicate the happy event to the Spanish authorities; MAE, Leg. 3166, exp. 8: Memorandum from the Portuguese Embassy in Madrid, 12 December 1952. The official invitation was addressed by OEEC's General Secretary Robert Marjolin; MAE, Leg. 3166, exp. 8: Despatch SJ/2596, 17 December 1952, remitted enclosed in despatch no. 2514 from the Spanish Embassy in Paris, "Invitación España Conferencia Transportes europeos", 23 December 1952.

⁹⁴. At the end of September 1952 the French Minister of Public Health and Population, Paul Ribeyre, announced his plan for a European Public Health Community, later on known, by analogy with the Green and Black Pools, as the *White Pool*, as a new step towards European Union; AN, F/10/5552: "Secrétariat Général du Gouvernement, Communication de M. le Ministre de la Santé Publique et de la Population sur la création d'une Communauté européenne de la Santé", Paris, 23 September 1952. A conference was expected to be convened for December 1952 and Spain invited to participate; APG, JE, Leg. 14, num. 8.1 (443): Cifra no. 384 from the Chargé d'Affaires in Paris to Artajo, "Sobre creación Comunidad Europea de Sanidad", 6 October 1952.

the OEEC-sponsored initiative was most similar to Morice's, strengthened the Spanish diplomats' view that the French proposal was unnecessary from a technical viewpoint and allowed them to foresee the sacrifice of Morice's invitation to obtain other targets of a higher diplomatic and political importance.

In what then appeared to be a sudden strengthening of bargaining power, the Ministry of Foreign Affairs announced that some reciprocal concession was necessary for Spain to cooperate, i.e., Spanish participation at the ministerial meeting on the organisation of agricultural markets to be held in Paris, on 16 March 1953. The French invitation for transport cooperation and the expected invitation for the health conference, strongly contrasted with the situation at the Green Pool:

"It would be totally anomalous for the French Government, on the one hand, to invite Spain to take part in meetings having as main objectives to obtain European unification in different sectors, such as the foreseen meetings on transport and health matters, and, on the other hand, to persist in a negative attitude to deny Spanish membership to the Organisation affecting essential interests of the national economy."⁹⁵

Any offer to join any initiative was contingent on Spain taking part in that of maximum interest, the Green Pool.⁹⁶

The logic of the Spanish Ministry of Foreign Affairs was simple. The French initiatives in the field of agriculture, transport and health matters were all manifestations of a general plan designed to achieve the integration of the European economy in the process toward political unification. A country about to join in the transport and health initiatives should participate fully in the general process. The very different treatment

⁹⁵. MAE, Leg. 3445, exp. 22: "Informe Plan Verde", by Román Oyarzún Iñarra, Secretary of Embassy and official at the General-Direction of International Organisations at the Ministry of Foreign Affairs, 22 November 1952. This document received the approval of Minister Artajo and of Pedro Cortina Mauri, an international lawyer, whose task was to follow the developments in international organisations for the Minister of Foreign Affairs and who became the head of the department for International Organisations at the Spanish Ministry of Foreign Affairs.

⁹⁶. Undoubtedly, Spain's non participation in the Green Pool talks was considered to place it in a very difficult position as regards export of its agricultural production; MAE, Leg. 3445, exp. 22: Order by Air no. 985 to the Spanish Ambassador in Paris, 24 November 1952 and AN, F/10/5553: "Memorandum" of the Spanish Embassy to the French Ministry of Foreign Affairs, Paris, 1 December 1952.

Spain received and the coincidence of meetings in Paris, in January 1953, favoured a cautious attitude. Cortina suggested that, with regard to the confusing conduct of France,

"due without doubt to political intentions, this Department has to respond, maintaining a unity of criteria in all preparatory conferences concerning restricted European communities. This fact suggests the provisional acceptance of participation in the transport preparatory meeting [the Morice-inspired conference] on the condition that Spain be invited to join the Green Pool."⁷⁷

This policy of linking the fate of the transport initiative to the agricultural one came in the name of coordination of the Spanish participation in European affairs. What the Ministry of Foreign Affairs meant was to participate in the Green Pool by any means, including the manipulation of the transport initiative as a diplomatic bargaining counter against the opinion of the technicians in the field. This attitude is an example of distortion of issue-linkage as studied by political scientists. For issue-linkage to be effective in international politics the exchange must take place between issues offering somewhat equal beneficial goods, which was absolutely not the case here. The Foreign Ministry was, in effect, sacrificing the goal of closer economic ties with Western Europe in this field without any sure gain.

This policy-strategy was possible because diplomats perceived very limited economic interests in the French initiative. Several obstacles hampered deriving substantial benefit from the improvement in transport by road, rail and inland waterways. The low importance of inland transport in Spanish commodity trade was a first important consideration. Sea traffic accounted for 86 per cent (on a value basis) of overall merchandise traffic leaving or entering Spain in 1951-52.⁷⁸ The Spanish gauge specificity reduced the possible benefits of any common railway transport regulation or acquisition of railway rolling stock. The reduced number of road vehicles in Spain made it difficult to facilitate reciprocity in international transport by road.⁷⁹ Geographical conditions

⁷⁷. MAE, Leg. 3445, exp. 16: Report by Cortina, Madrid, 10 December 1952.

⁷⁸. Instituto de Estudios de Transportes y Comunicaciones: Estadísticas de Transportes. Series cronológicas (1950-1980), Madrid [Ministerio de Transportes, Turismo y Comunicaciones] 1983, p. 59.

⁷⁹. In 1950 Spain recorded 3 automobiles for thousand inhabitants, while the United Kingdom recorded 48, France and Sweden 36 units, Ireland, Belgium and Denmark 30, the Netherlands 14 and Western Germany 13; ibid.

prevented Spain from benefiting from the favourable consequences of any unified measures in the field of inland waterways navigation. Finally, the economic incentive to take part in Morice's initiative was further reduced by the fact the country's main international problems were already under bilateral negotiations. In sum, from the Spanish Ministry of Foreign Affairs' viewpoint there was no reason for this conference to take place.

This issue-linkage policy was not welcomed by those who dealt with the miserable state of Spanish transport and led to intra-governmental conflict. The civil servants from the Ministry of Public Works and Transport, dealing directly with the needs and penury of the Spanish transport system, adopted an open-minded attitude to any international collaboration. Progress in implementing the different investment plans designed to reconstruct and modernise the railway and road networks, was extremely slow. The investment forecast never reached its targets, due to the increase in prices and wages, the limited amount of raw-material supplied and the upward trend in the rates of exchange. The Pts 1,500 million investment forecast for the First Five-Year Plan (1946-50) for the modernisation of the state-owned and operated railway system, had to be increased (by decree of 6 February 1948) to Pts 1,700 million. A subsequent legal disposition of 22 May 1949 approved a more ambitious five-year "General Reconstruction Plan" which merged the more pressing features of the earlier programmes (including the electrification announced in 1947), at a total cost of Pts 5,996 million. Again on 22 February 1952, an extra expenditure of approximately Pts 12,500 million was devoted to implementing the programme of improvements announced in 1949. A new decree, issued on 10 April 1953, declared certain of the works and requirements of the previous decree as a matter of national urgency, though the total national budget for 1953 was 22,745 millions and the public works and transport department's budget remained at 1,945 millions.¹⁰⁰ The deplorable deficiencies of the Spanish railways were as prevalent in

¹⁰⁰. An overview of the financial difficulties in the sector can be followed in Francisco Wais San Martín: Historia de los ferrocarriles españoles, Madrid [Editora Nacional] 2nd ed., 1974; Tamames, op. cit., vol. 2, pp. 357 ff; and, Carlos de Inza y Tudanca: "Transportes", in Estudios sobre la Unidad Económica Europea, vol. 7, Madrid [Sociedad de Estudios Económicos Españoles y Europeos, S.A.] 1957, pp. 799-812. The road system followed a similar pattern. On 18 December 1950 the approved Modernisation Plan estimated a 11,014 kilometers of road renewal in five years. With Pts 2,353

1952-53 as they had been four years before exhibiting all the shortages and deficiencies inherent in the Spanish economy.

As the general economic well-being of Spain increased, the Spanish railroads were to find themselves in an impossible situation, unless long overdue maintenance and replacement programmes eased the increasingly difficult situation. Steel shortages were reflected in the poor condition of tracks, lumber and creosote shortages were apparent in the old ties and the lack of preservation of wooden sleepers and coal, machinery, rolling stock and signal equipment difficulties reflected deficiencies in basic raw materials and foreign exchange. RENFE maintained a pool of 3,400 locomotives, 500 of which were in repair shops. Many of these were ancient, 30 per cent dating from before 1915, 13 per cent delivered after 1936. There were no diesel locomotives and only 3.3 per cent of the locomotives were electric. The wagon-pool consisted of 74,000 RENFE-owned wagons and 10,000 privately owned wagons. About half of the RENFE wagons in operation were in need of minor or extensive repair work. Only 10 per cent of the wagons were equipped with automatic breaks and there were no wagons able to carry loads superior to 30 tons. Between 1946 and 1950 the total length of normal gauge track increased by 82 kilometres and the electrified track by 75 kilometres, while the general electrification plan of January 1946 forecast the electrification of 4,500 kilometres of rail! Only 10 per cent of the total track had double lines and the state of transmissions and signals was primitive. The lines were in such a state of deterioration that modern heavy locomotives could not operate at anything approaching efficient speeds and loads.¹⁰¹

million of total investment, which was equivalent to only Pts 470 million investment a year, only 4,037 kilometres of road were worked on. In 91 per cent of cases the renewal meant either surface irrigation or a slight gravel bed reinforcement on the roads. A complementary plan to be accomplished over 15 years raised the total amount of money to be invested to Pts 15,620 million, that is Pts 1,400 million a year, which had to be reduced a few years later. The basic problem of Spanish roads was related to the lack of real resources (asphalt, cement and energy) which led to a progressive deterioration of the transport network.

¹⁰¹. Paragraph based upon the economic report drafted by the commercial councillor at the British Embassy in Madrid, G. Clinton Pelham: Economic and Commercial Conditions in Spain, London [HMSO] 1952; the report by Lieutenant-Colonel d'Aboville, Assistant Military Attaché at the French Embassy in Madrid, to the Secretary of State of War, AD, Z/EE vol. 98: "Etude sur les transports terrestres en Espagne", 23 February 1953; and PRO, FO 371/107718: "Extract from a pamphlet under the signature of Professor Sufrin", n/d. The pamphlet was considered not to be identical to the full report. For details about the Sufrin report see chapter four, p. 301.

With railroads pushed to the limit to meet the demands placed upon them by the Spanish economy, the Ministry of Public Works might have seen some relief in the perspective of technical cooperation with Europe. Participation in the European fora could not hurt such a backward economic sector. Transport technicians did not expect to obtain any financial assistance. The only hope of improvement was the future agreement for bases with the United States, although the amounts likely to be earmarked for RENFE were to be perforce too limited to overcome the existing difficulties. Transport officials considered that technical cooperation (i.e., in the standardisation of general rail equipment and electrification programming), were worth discussing with their European colleagues.

Bilateral questions such as the speeding up of the technical operations at frontier-posts should have been more than welcomed by technical personnel. Spain's exports towards France, particularly citrus fruits, were transported by rail after 1950 (see table 7.1), in contrast to the situation in general trade mentioned before.

TABLE 7.1

SPAIN'S EXPORT TRADE [AND EXPORTS OF CITRUS FRUITS] TO FRANCE
CLASSIFIED BY MAIN TRANSPORT MEANS, 1948-1953
(percentages calculated over transported tons)

	Boat		Rail		Road	
1949	60.7	[35.2]	38.4	[64.2]	0.9	[0.6]
1950	45.2	[25.0]	51.4	[73.0]	2.8	[2.0]
1951	45.3	[31.6]	49.5	[58.7]	4.9	[9.7]
1952	47.7	[35.5]	50.0	[63.5]	2.3	[3.0]
1953	35.4	[24.9]	62.1	[74.1]	2.4	[1.0]

Source: Direction générale des douanes et droits indirects: Tableau Général de la Navigation Maritime et des Transports, Année 1949, 3è partie Analyse du trafic par pays de provenance et de destination, Paris [Imprimerie Nationale] 1951. No data is accessible on a value basis concerning merchandise traffic classified by means of transport. The nature of Spanish export trade towards France, dominated by agricultural products and minerals, where there is a direct relationship between volume and value, allows the table to be maintained as providing an accurate image. This could not be the case for French exports to Spain, since they included commodities with high added value.

The direct economic interest in the initiative came from the fact that transportation by rail saved the fruit sent to supply the German and Scandinavian markets from damage.¹⁰²

¹⁰². The railway transit between France and Spain took place at four points, of which Port Bou/Cerbère and Irun/Hendaye were the most important. The problem of the gauge difference was only partially solved with the use of privately-owned interchangeable woogie-wagons at Irun-Hendaye. The service started to function in May 1950 at Hendaye and Cerbère in May 1951. By the

An amelioration of the technical operations at the French frontier would shorten the delay from tree to table while shipments, despite all the available chemical treatment, affected the quality of the fruit.¹⁰³ This would have placed Spanish oranges in an improved position in relation to their main competitors, the Jaiffa, Navel and Clementine oranges from Israel and North Africa, and allowed for an easier modification of the trade flows to unsatisfied markets when domestic crops shut down those previously open markets.

In contrast to some private sectors, the official French response to the question of Spanish participation in the agricultural ministerial meeting was not encouraging. The French National Confederation of Producers decided, when meeting with a delegation of Spanish business men, to support Spain Green Pool membership.¹⁰⁴ French interest groups had no intention whatsoever of stepping out of the heavy purchasing programme of foreign transport material undertaken by Spain in 1952. Negotiations were under way with some private French banks for a loan of Ff 15,000 million to assist Spanish industry to finance the purchase of French railway and capital equipment in the transport modernisation programmes.¹⁰⁵ Minister Laurens, more concerned with the views of agricultural organisations, declared that only the plenary conference had juridical personality to address new invitations once member-countries were consulted at the conference table.¹⁰⁶ The assurances which the Spanish Ambassador received from Laurens that the French Government was not to elude the Spanish request to be invited to the Green Pool Conference with subterfuges did not materialise. Finally, despite the Spanish expectations, the corresponding Minister was not invited to join the so-called

Spring of 1953 the total pool consisted of 250 *Transfesa* wagons and, at its maximum efficiency, 64 wagons could be despatched every 8 hours; "Etude sur les transports terrestres en Espagne", cit. An enlargement of the pool of wagons to 1,000 units was forecast by 1955. Until 1956 this system did not deal with at least 50 per cent of the total exports crossing the Pyrenean border. For more details see Max Liniger: L'orange d'Espagne sur les marchés européens, Geneva [Editions du Temps] 1962, p. 211.

¹⁰³. Antonio Dionis Soler: "La exportación de agrios por vía terrestre", Información Comercial Española, no. 259, March 1955.

¹⁰⁴. See chapter five, p. 414.

¹⁰⁵. Ibid., p. 415.

¹⁰⁶. MAE, Leg. 3445, exp. 22: Cifra no. 452 from Paris, 17 December 1952.

*White Pool*¹⁰⁷ At this point, Arriaga confirmed to Vallellano that the acceptance of the

¹⁰⁷. The ministerial conference took place in Paris on 12-13 December 1952. A treaty-proposal for a European Health Community, following the ECSC Treaty, drafted by the French Ministry of Public Health was presented to the conference, which rejected it; AD, DE-CE, vol. 581: The General Directorate for Economic and Financial Affairs, Economic Cooperation Office at the Ministry of Foreign Affairs, to the head of Bidault's private bureau, 9 February 1953. The *White Pool* initiative did not go very far from the original blue-print; see a brief reference in Gerbet: a) La construction de l'Europe, Paris [Imprimerie Nationale] 1983, p. 149, and b) La naissance du Marché commun, Brussels [Editions Complexe] 1987, p. 69; these titles constitute the first scholarly work providing a complete account of what it considered to be the process of European integration. Brief references to the so-called "projets sans lendemain", the green, white and transport pools, are provided by M.-O. Piquet Marchal: Histoire économique de l'Europe des Dix. De la Seconde Guerre mondiale à aujourd'hui, Paris [Librairies Techniques] 1985, pp. 381-84.

French invitation to the preparatory meeting of Transport Ministers would only come "once the coordination among the several requisitions to Spain to join the European Communities" had been obtained.¹⁰⁸

The decision adopted by the British and Portuguese might have definitively reinforced the Spanish diplomatic view. The Portuguese Government learned that, for the British Cabinet, Morice's initiative was incompatible with the OEEC's initiative, which they had agreed to and advised Spain to adopt "a similar policy to the benefit of both countries".¹⁰⁹ The Portuguese recommendation could hardly be ignored because it was Spain who first made use and profited most from a pseudo Iberian solidarity in European matters due to Portugal's OEEC/EPU membership.¹¹⁰ Under these conditions, the Ministry of Foreign Affairs recommended the Spanish Council of Ministers to answer the OEEC invitation positively "therefore showing Spain's interest on European integration" and to avoid assisting at the meeting convened by France since "problems to be dealt with are of French interest rather than specifically of a European dimension".¹¹¹ The diplomatic arguments prevailed at the highest level over those proposed by the Public Works Department. On 16 January 1953, the Spanish Council of Ministers emphasised the little sense involved in participating in the French transport initiative whilst isolated from the rest of the French initiatives, particularly that of greatest interest. The invitation addressed to the Spanish Minister of Transports, although it had initially been accepted by the corresponding Minister, was rejected and a decision adopted to follow the OEEC initiative.¹¹²

¹⁰⁸. MAE, Leg. 3166, exp. 8: Despach no. 688, Artajo to Vallellano, "Sobre participación de España en Conferencia de Transportes", 27 December 1952.

¹⁰⁹. Ibid., Leaflet from the Portuguese Embassy in Madrid, 9 January 1953.

¹¹⁰. MAE, Leg. 3445, exp. 16: Despach no. 19 to Nicolás Franco, "Coordinación hispano-portuguesa respecto al movimiento europeo y, especialmente, al Pool Verde", Madrid, 31 January 1953.

¹¹¹. MAE, Leg. 3166, exp. 8: Information leaflet on the matter drafted by the Ministry of Foreign Affairs for the Council of Ministers, 16 January 1953. There is no documentary evidence about any similar attempt made by the transport department.

¹¹². A.S.C.M. Tomo II. 1953, no. 5539, Council of Ministers' meeting on 16 January 1953. Consequently, Vallellano invited his French colleague to discuss common interests in the field at the spring OEEC meeting; MAE, Leg. 3166, exp. 7: Vallellano to Morice, 22 January 1953.

There was no big difference between the OEEC and the French initiatives. The modesty of scale of economic benefits affected both in equal terms, since both were limited to inland transport, represented equally limited probabilities of any financial aid and contained no commitment towards a high authority.¹¹³ Only the Spanish diplomatic distrust concerning any French initiative made the acceptance of the invitation to the OEEC conference incompatible with being present in Paris in January. Despite the technical nature of the initiatives, the technical experts could not escape from political suffocation by the Ministry of Foreign Affairs, who adopted a position of complete myopic-self interest.¹¹⁴

7.3.3. Last-Minute Sprint

The Council of Ministers' decision expressed the desire to continue diplomatic action to secure Spain's presence in the second meeting of the Green Pool. The reader should recall the importance of agricultural and foodstuffs exports to OEEC countries. According to official Spanish statistics for 1952, the total value of the aforementioned exports to countries participating at the talks in Paris represented 56 per cent of the exports to those same countries and 69.4 per cent of the country's exports of agricultural products and foodstuffs. For the Minister of Foreign Affairs the most advantageous outcome was the initiative failing due to a general lack of interest so that "Spain could

¹¹³. As we will see in section 7.5.1, the Spanish Ministry of Foreign Affairs raised the spectrum of supranationality to increase the political implications of the initiative and, consequently, the importance of diplomatic considerations.

¹¹⁴. Concept borrowed from Robert O. Keohane: After Hegemony: Cooperation and Discord in the World Political Economy, Princeton (Princeton University Press) 1984, p. 99. Although the Spanish Council of Ministers had not adopted any final decision on the matter, the Spanish Ambassador in Paris was informed that: "The Spanish Government [...] has the decisive purpose to allow no Spanish representation to take part in any Conference of such a nature without maintaining a minimum of coordination in our political action in Europe. Therefore the acceptance of the referred transport conference [Morice's] can not be complimented without the security that Spain will be invited to the second Green Pool conference and that what happened with the still awaited invitation to the preparatory meeting of the Health Community will never be repeated"; MAE, Leg. 3166, exp. 8: Despatch no. 1029 from the General Direction for Foreign Policy at the Ministry of Foreign Affairs, to the Spanish Ambassador in Paris, 5 December 1952. The latter had addressed a memorandum to the Quai d'Orsay a few days before using the same arguments but without a threat; AN, F/10/5553: Memorandum, Paris, 1 December 1952.

continue the present independent economic system" (sic).¹¹⁵ The point of no-return, however, was reached. The hypothetical situation of multilateral agreements closing down markets to Spanish exports came closer to reality when it was understood how little support the Spanish enjoyed.¹¹⁶ It was also feared that the Spanish Government's attitude concerning Morice's initiative would bring further retaliation from the French.¹¹⁷

The Ministry of Foreign Affairs decided to renew its efforts to obtain support for the Spanish position. The Governments of Ireland, Greece, Turkey, Switzerland and Great Britain were asked to propose that Spain should be invited to join the conference or, at least, to support the proposition if made by another country. In relation to the Scandinavian countries there were no expectations given the traditional political opposition to Franco's regime. Therefore the action undertaken with them was limited to obtaining support for the petition addressed by another country, or, at least, not to vote against it. Lisbon, Rome, Brussels and Paris received more expressive messages. Two new arguments were used to support the justice of the Spanish demand. They argued that the ongoing negotiations with the United States (for an agreement on military bases) could have proved the definitive overcoming of the period of international ostracism in addition to the OEEC's invitation in the field of transport to back Spain's claims for technical and economic collaboration in Western Europe.¹¹⁸

No country could adopt a straight-forward policy concerning Spain while the initiative remained ill-defined on the number of agricultural products to be included, the countries to take part in it and the authority to preside over the pool. A definition of the

¹¹⁵. MAE, Leg. 3445, exp. 16: Order by Air no. 62 to the Spanish Ambassador in Paris, 21 January 1953.

¹¹⁶. The French had semi-officially consulted all the Governments involved in the initiative for their opinion of possible Spanish participation. The responses gathered by the Spanish representatives in the different capitals had the following profile: most of them abstained from answering or refused to commit themselves, Norway showing opposition and only Italy and Portugal were favourable; *ibid.*, despatch no. 227 from the Spanish Ambassador in Paris, "Pool Verde", 26 January 1953.

¹¹⁷. MAE, Leg. 3166, exp. 7: Despatch no. 282 from the Spanish Embassy in Paris, "Sobre Conferencias Transportes en París", 30 January 1953.

¹¹⁸. Orders to diplomatic representatives in the different OEEC countries with instructions concerning the second ministerial Green Pool meeting to be found in MAE, Leg. 3445, exps. 16 and 23, "II Conferencia Plenaria 'Pool Verde'", dated 2, 3 and 4 February 1953.

central problem came when Mansholt tried to rule out the possibility of a vote against a High Authority by involving the Agricultural Community in the debate for a European Political Community (EPC). Following the so-called Luxembourg resolution, Mansholt proposed to Laurens that an agricultural community confined to the Schuman countries be the offshoot of political authority.¹¹⁹ Laurens agreed on Mansholt's main points but under conditions which rendered them meaningless. The Luxembourg resolution should not be presented as a *sine qua non* condition for attending the conference and the agricultural community should be "sensiblement différent" to the ECSC.¹²⁰ In a total absence of the previous crusading spirit, the French Ministry of Agriculture favoured some sort of community of a purely consultative character to promote commodity agreements to secure outlet for French agricultural surpluses. This straightforward and clear commitment meant the return to the main line of action since Pflimlin's vote at the National Assembly in June 1950.¹²¹

Once the accent had definitively gone from the conditions of production to those of trade, the simplest step should have been the promotion of general trade liberalisation in the sector, including the progressive reduction of tariff barriers. In that case, however,

¹¹⁹. The Luxembourg resolution was adopted by the six ministers of foreign affairs on 10 September 1952 by which the powers of the Assembly *ad hoc*, set up after the signing of the EDC Treaty to work for the creation of a European Political Community, should be extended to the economic field. For the Dutch initiative for a West European common market as part of the proposed EPC envisaged in article 38 of the EDC Treaty of May 1952, the so-called Beyen Plan, see Griffiths and Milward: "The Beyen Plan and the European Political Community", EUI Working Paper no. 85/199, Florence, November 1985, and Griffiths: "The Beyen Plan", in Griffiths (ed.): The Netherlands and the Integration of Europe, cit., pp. 165-82.

¹²⁰. AD, DE-CE 1945-60, vol. 58: "Protocol franco-hollandais", Secret Note, 15 November 1952, and ECO, "Compte-rendu du voyage de M. Laurens à La Haye", 18 November 1952.

¹²¹. AD, <<Pool Vert>>: "Note au sujet de l'Organisation Européenne des Marchés agricoles" by Maestracci, 4 February 1953. In this note Maestracci defined the basis for the French memorandum to be presented to the negotiations of the Six ministers of agriculture, previous to the general conference, scheduled on 16 March 1953. There was no point in adopting a too compromising position when, by 1952, France remained a net importer of agricultural commodities since the actual surpluses were far less than what the Monnet Plan had envisaged. See French net agricultural exports by 1952 in Griffiths and Milward: "The European Agricultural Community", cit., table 2, p. 78. See the gap between actual output and planned targets by 1952 in François Houillier: "Les plans de modernisation de l'agriculture", Revue Economique, no. 5, September 1953, pp. 659-72, pp. 670-72. By the end of 1952, France's agricultural balance deficit was the largest since 1945, Jean Chombart de Lauwe: L'aventure agricole de la France de 1945 à nos jours, Paris [Presses Universitaires de France] 1979, p. 208.

there was not much to gain for France. The general European deficit in wheat and sugar and the desire to reduce the dollar bill worked to the French advantage, even without general liberalisation. The latter would have benefited, in particular, the Netherlands and Denmark, harmed French agriculture and embarrassed French relations with the French Union.

"Malgré l'engagement de principe qui a été pris à Rome [February 1953] envisagée par la fusion des intérêts essentiels des Etats Membres de commencer de préparer la réalisation d'un marché commun européen par une première étape d'intégration qui serait limité aux Six, il convient de souligner que le Gouvernement française restait libre de proposer, en matière agricole, un accord groupant 16 pays de l'Europe et dont les dispositions ne conduiront pas immédiatement au marché commun."¹²²

According to the instructions to the French delegation, the French Government definitively abandoned supranationality for product agreements between a large number of countries.¹²³

The situation among the rest of the ECSC countries moved along similar lines. The BLEU countries continued to be deeply suspicious of Mansholt's activities.¹²⁴ The Italians realised that there was no possibility of the British joining an agricultural community of a supranational kind. They supported the idea of a new organisation which they hoped was to be more successful than the OEEC in assisting them to find markets for their surpluses of fruit and vegetables.¹²⁵ Finally, the Germans, without showing any clear "pro" high authority sentiment, emphasised the need to expand their exports of industrial goods in return for increased agricultural imports and avoid neglecting domestic

¹²². AN, F/10/5359: Note of the Cabinet of the Ministry of Agriculture relative to the European Agricultural Conference, Paris, 10 March 1953. Laurens argued to act following a solidarity principle with all the non-ECSC countries involved in the agricultural talks.

¹²³. AN, F/10/5694: Note on the position of the French delegation at the Conference of March 1953, n/d.

¹²⁴. The Belgians told the British that they will try "to steer all further action on the Pflimlin Plan into intergovernmental channels." PRO, MAF 83/3389: FO to Ministry of Agriculture, "Record of Conversation with M. Jean de Bassompierre of the Belgian Embassy in London", 20 January 1953.

¹²⁵. PRO, MAF 40/549: "Note of a Talk with Mr. Pappi and Mr. Rabot about Green Pool Plans", by Edward Lloyd, chiefly concerned with the agricultural negotiations in the United Kingdom's Ministry of Agriculture and Fisheries, 5 October 1952. For more detailed information on the different national positions see Griffiths and Milward, "The European Agricultural Community", cit., pp. 44 ff., and Griffiths, "The Mansholt Plan", cit., pp. 101-104.

agricultural interests.¹²⁶ It was not until the preparatory meeting convened among the Ministers of Agriculture of the Six two days before the plenary conference (due to Mansholt's insistence and as a reaction to his initial proposal for a meeting of Ministers of Foreign Affairs to give precision to the Luxembourg resolution) that the Six should bring a final clarification to the meaning of the agricultural negotiations.

The balance of Spain's diplomatic action, two days before the second ministerial meeting, shows that only Portugal and Italy seemed prepared to take the initiative to propose inviting Spain. Germany, Belgium, France, Great Britain, Greece, Ireland, Luxembourg, Switzerland and Turkey would support the proposition if made by another country. The Netherlands would declare its support only after several other countries had done so.¹²⁷ Sweden replied that it would only send an observer without a voice or vote. Norway and Denmark refused to compromise in any sense. Italy happened to be the country which could help Spain most efficaciously, since it was to participate at the preliminary meeting of the Ministers of the Six.¹²⁸

Diplomatic channels reported that Italy was to take the initiative in proposing that the Spanish Government should be invited to attend the meeting.¹²⁹ Carrero Blanco, the Minister in charge of the Presidency of the Council of Ministers and Franco's closest man, ordered diplomatic representatives to make a last effort to obtain majority support for the Italian proposal.¹³⁰ The respective diplomatic channels informed Carrero that most countries would support the Italian initiative. He was informed that even the French Council of Ministers unanimously approved granting support to Spanish aspirations and

¹²⁶. AN, F/10/5359: François-Poncet to Laurens, "Position des milieux viticoles et vinicoles allemands en matière d'organisation européenne des marchés agricoles", 29 August 1952.

¹²⁷. Mansholt seemed to have given his conformity to the French intention to invite Spain to the Conference already at the beginning of March, maybe as part of his strategy to make the entire initiative collapse; ASMAE, DGAP, b. no. 256: Telegram from The Hague, 5 March 1953.

¹²⁸. See the different nations' replies in MAE, Leg. 3445, exp. 16.

¹²⁹. MAE, Leg. 3445, exp. 23: Cifra no. 41, Paris, 11 March 1953.

¹³⁰. MAE, Leg. 5910, exp. 6, carp. 2: Cifra no. 7 to all diplomatic posts concerned and no. 12 to Lisbon, 11 March 1953.

sending the Minister of Agriculture to Italy to discuss who was to take the initiative.¹³¹ Finally, the Spanish Government was informed that, since France held the Presidency, it was to be Italy who would propose inviting Spain as a preliminary question. This proposal would, according to the Spanish Ambassador in Paris, be approved by unanimity "with no doubt at all!"¹³² On the same day the Ministry of Foreign Affairs made public a report in which, given the certainty of entry, proposed the creation of an interdepartmental study group in Madrid to gather documentary evidence on the consequences of Spain joining the Green Pool, as had already occurred regarding the ECSC. However the fact was that

"Even though a fully documentary study could emphasise higher costs than benefits from Spanish participation within the Green Pool, Spain must not adopt an abstentionist attitude regarding the Green Pool, since it must be remembered: First, if Spain is kept out of the projected Organisation it could never be expected that Spain would continue its present foreign trade system based on bilateral agreements with Western European countries, since it is to be envisaged that this system would be strongly affected by the very fact of establishing the pool. Second, since the pool would have as an immediate consequence the elimination of closed national markets and the creation of a common market, it would always be preferable to be part of the Organisation in order to have the possibility of handling the instruments at the disposal of its Member-States."¹³³

Spain was to suffer greatly from its miscalculation in not taking into consideration the divergence in aims *within* nations not only *among* them. The Italian Minister of Agriculture, Fanfani, did not hold the same opinion as Prime Minister and Minister of Foreign Affairs at the time, De Gasperi.¹³⁴ If Italian diplomatic services had given grounds for Spanish aspirations, Fanfani, who was preparing his political campaign for the autumn elections in which the farmers' vote was not negligible, was to put a quick end to the misunderstanding. The day before the plenary conference met, Fanfani informed the Spanish Ambassador that Italy would not take the initiative proposing

¹³¹. Ibid., cifra no. 43 from Paris, 12 March 1953.

¹³². MAE, Leg. 3445, exp. 16: Cifra no. 45 urgent from Paris, 14 March 1953.

¹³³. Ibid., "Informe sobre el 'Pool Verde'", 14 March 1953, when the creation of a study group in Madrid was announced.

¹³⁴. See Laschi's doctoral diss., cit., p. 213.

Spain's incorporation due "to the farmers' fear of Spanish participation".¹³⁵ Fanfani ended the uncertainty about Spain when the ministerial gathering of the representatives of the ECSC countries convened two days before the plenary conference, meant the failure to form a supranational agricultural community. While the European Agricultural Community was a device supposedly for building up Europe's political union, the question of Spain was used to create disagreement so that discussions could be transferred to the OEEC. Once the idea was transformed into a round-table to negotiate bilateral trade arrangements to sell and purchase certain agricultural commodities, Fanfani was unwilling responsible for spoiling Italian agriculture by facilitating the competition between both countries' farming production. Italian and Spanish competition on the British and French markets at the time of liberalisation, as well as during the period of import restrictions, was certainly at the root of Fanfani's attitude.

The Italian attitude did not destroy the Spanish expectations because it became known on 16 March that the French Council of Ministers had ordered the French delegation to adopt the attitude most favourable to Spain.¹³⁶ Nothing in Franco-Spanish relations could explain the French decision and its timing. This section argues that the Green Pool had become a full speed race to secure outlets at high prices. At that point, Spain could purchase wheat at the same time as the ongoing negotiations favourable to French industry (not to mention the French policy in Morocco) could benefit from a gesture highly rated in political terms on the other side of the Pyrenees.¹³⁷ In other words, it was the transformation of the Green Pool initiative which led to the modification of the French attitude towards Spain on the matter, not a change in bilateral relations. This fresh French policy appeared to put the situation back under control, and made it

¹³⁵. MAE, Leg. 3445, exp. 6: Cifra no. 46 from Paris, 15 March 1953. Same attitude explained in ASMAE, DGAP, b. no. 256: "Appunto per S.E. il Ministro", Roma, 26 March 1953.

¹³⁶. AG, MAE/11591, folder 567: Handwritten note dated 16 March 1953, 10.45 a.m. Information provided by the Director for Europe of the French Ministry of Foreign Affairs.

¹³⁷. The credit negotiations mentioned before for a credit of Ff 15,000 million to place command for equipment goods (see chapter five, p. 414) finally concluded in a financial protocol signed on 7 April 1953. The journal of the Spanish Socialist Party in exile, *El Socialista*, no. 5661, 26 March 1953, which announced Spain's access to the agricultural negotiations at the same time as the credit, drew a clear connection between the two.

unnecessary for Portugal to present Spanish claims for participation. Laurens gave an account to the conference of the existence of the Spanish candidature and supported it, followed by the German delegation. This produced a chain-reaction of a favourable vote by many participating delegations. The attitude adopted by the majority helped to neutralise the reservations tabled by the Dutch, Scandinavian and British delegations.

For some countries, future possible interference with the resolution of the institutional question, was a more important factor to be considered when evaluating Spain's involvement in the Green Pool than bilateral patterns of trade and political relations. The ministerial meeting of the ECSC countries had shown that a full supranational community was unacceptable for five of the Six ECSC countries but the institutional debate subsisted upon what to do next. Sir Anthony Nutting, Chief of the British delegation to the Green Pool conference, considered Spanish participation as "a little premature".¹³⁸ Little was known regarding Spain's intentions in the economic field but less was known of the *Agricultural Community* to invite any new country. The participation of Spain, a non-OEEC member, would prejudice the possibility that all further agricultural discussions would be transferred to the OEEC. Mansholt joined the British since it was better to concentrate on strengthening and improving cooperation in the existing bodies than to recreate new powerless institutions. In principle, these countries were not opposed to Spanish membership but proposed that consideration of the issue be deferred until proposals had been made dealing with the central institutional question. Switzerland reminded all that the latter presented neither a formal nor a political problem since the European Conference of Ministers of Transport acted similarly in spite of

¹³⁸. PRO, MAF 40/549: Telegram no. 82, Nutting to FO, Paris, 16 March 1953. The British concern about the future of the European Agricultural Community predominated over their explicit policy of doing "everything possible to encourage" the improvement of relations with Spain, which offered an important source of supply and considerable opportunities of economic expansion; PRO, FO 371/107682: "Notes prepared for the adjournment debate on Anglo-Spanish relations", 13 May 1953.

Sir Anthony Nutting (b. 1920), Parliamentary Under-Secretary of State for Foreign Affairs between November 1951 and October 1954, and Minister of State for Foreign Affairs between that date and November 1956, when he resigned due to the Government's Suez policy.

Spanish membership.¹³⁹ A majority decision prevailed and the Spanish Government was invited to join on the first day of the plenary ministerial conference on 16 March 1953.

Spain's access to the negotiation tables can be explained by the final and definitive transformation of the original Green Pool project. The door opened for Spain when the process of reaching the consensus necessary for obtaining some general agreement definitively led, after two years of talks, to dropping the idea of a supranational institution for *ad hoc* product marketing arrangements.¹⁴⁰ This was the direct result of the competing efforts of governments (and non-governmental actors) to manipulate the initiative for their benefit. Once negotiations were concerned primarily with commodity trade agreements, Spanish participation entered into the normal circumstances of bilateral economic relations. For major importing countries, Spanish exports would favour competition. The position of countries with exports competing with some Spanish commodities would be reinforced when arguing for special clauses for those specific commodities. For some exporting countries, Spain represented an additional market for their products, more so if through the multilateral process of negotiation on commodity trade. Spain could be forced to relax its import restrictions. In one way or another, almost all the countries involved found themselves in one or several of the categories mentioned above.

7.4. Green Pool Membership

Spain achieved an important political and economic target after what had appeared an almost endless diplomatic struggle. Access to the negotiations for a European

¹³⁹. Ministerie van Buitenlandse Zaken, The Hague, Directoraat Generaal Voor Economische en Militaire Samenwerking, 630/1384: Report on the European Agricultural Conference by the Dutch delegate to the OEEC, Paris, 16 March 1953. Document provided to the author by Richard T. Griffiths.

¹⁴⁰. Laurens had defined the negotiation process as "la question de chercher le plus petit commun dénominateur aux aspirations des divers pays intéressés en matière de communauté agricole européenne"; AN, F/10/5696: "Directives données par Monsieur le Ministre sur les divers questions que soulève la préparation de la conférence européenne de l'agriculture et de la "pré-réunion" des six ministres de l'agriculture des pays membres de la communauté charbon-acier", n/d.

agricultural organisation was considered in a triumphal way in Madrid, as a new step towards the complete normalisation of Spain's foreign relations.¹⁴¹ That a Minister of Franco's Cabinet could attend, for the first time since 1945, a European ministerial meeting, especially one with a pro-European scope, had great political significance. In economic terms, Spain's direct intervention swept away (although temporary) the threat of discriminatory off-pool treatment. The economic benefits to be derived were, however, still to be seen.

7.4.1. Means and Goals

Prior to Spain's entry, the European Ministers of Agriculture were unable to take any step beyond preparatory work. For the Spanish, the Green Pool was still in a formative period and the most important task was yet to be done. The final report of the preparatory working party set up by Ministers in March 1952 had evidenced the difficulty of quickly reaching some degree of common harmonisation.¹⁴² The immense variety and complexity of the European agricultural economy (the extreme disparity among national production conditions as well as among products within national agriculture) showed clearly, in Nutting's words, that "the task of rationalising European coal and steel production [was] a child's play beside that of integrating European agricultural markets."¹⁴³

¹⁴¹. MAE, Leg. 3445, exp. 23: "Informe sobre Conferencia Organización Europea de los Mercados Agrícolas (Paris 16 a 20 de Marzo de 1953)", 24 March 1953. This was equally the opinion expressed by many of the important newspapers of that time. See the detailed reports gathered by the Ministry of Foreign Affairs' Information Services in MAE, Leg. 3368, exp. 17.

¹⁴². The IWP first met on 15 May 1952 in Paris with representatives from all the countries attending the Paris preliminary meeting of March 1952, plus Portugal. Three sub-groups of experts were subsequently established and 17 commodities studied. Experts presented their respective reports at the end of 1952 and the IWP ended its work in January 1953; Preparatory Working Party for the European Conference on the Organisation of Agricultural Markets: Report of the Working Party to the European Agricultural Conference, Restricted, Ag.GT/Doc.10, 9 January 1953. The interested reader could find the commodity reports, the general survey on agricultural and food production, consumption and trade, the report on general conditions of agricultural production in the different countries and on institutional problems, and the IWP's final report, in either AN, F/10/5694-5 or PRO, MAF 40/549.

¹⁴³. PRO, MAF 40/549: "Speech by Mr. Anthony Nutting at the Green Pool Conference in Paris, 18th March, 1953".

When the conference, after interminable procedural discussions, got down to business, a sharp division of opinion therefore appeared. Mansholt and Nutting took the line that a decision on the question of what institution should be selected was necessary before any further technical work could be done. The only acceptable alternatives were a supranational community or to pursue all further action within the OEEC where, even if little had been accomplished in the past in the agricultural sphere, a new attempt could be made. Both opposed any suggestion for future action which seemed likely to lead to the creation of a new seventeen-power organisation. The French, Germans and Italians were clearly unwilling to jump the supranational fence and to accept the OEEC alternative. No doubt they would have favoured the creation of a new intergovernmental body outside the OEEC, but they argued that the institutional question was dependent on a further study of the various commodity markets concerned.¹⁴⁴

The Spanish delegation was naturally interested in setting up a study committee, if only to complete, on their side, the reports on products prepared by the previous working party (IWP) and to extend the commodity list of those products of particular interest for the Spanish economy. Preventing the conference from ending in complete failure, Mansholt agreed to set up a new interim committee provided that the institutional question was on its agenda.¹⁴⁵ On the last day of the meeting, Ministers established a new interim committee (henceforth IC) to examine the reports and recommendations of the IWP concerning methods of organising and unifying agricultural markets, to study new commodities or commodity groups and to suggest what form of organisation was practicable for market organisation.

At the IC's first meeting, 27-30 April 1953, the idea of dealing first with the commodity studies and determining the most adequate institutional arrangements at a second stage predominated. Seven kinds of commodities were already being studied: cereals (bread grains, coarse grains, rice and seeds), tobacco, fruit and vegetables (fresh

¹⁴⁴. PRO, FO 371/105894: MAD, "Conference on European Agricultural Markets", 20 March 1953; and MAF 40/549: MAC(53)103, "The Green Pool. Note by the Foreign Office", 13 April 1953.

¹⁴⁵. Griffiths: "The Mansholt Plan", cit., p. 105.

and dried), sugar, livestock and meat, dairy produce, and timber. Although in different degrees, the list fulfilled the criteria upon which the selection of products was based: importance in the agricultural income of the participating countries and in intra-European agricultural trade and a high degree of dependence on foreign supply.¹⁴⁶ When the question of agreeing on a definitive list arose, all countries adopted the shopping list approach, by which the studies were to be initially limited to the few products which represented their individual national interest. The Spanish representative, for instance, repeatedly requested that wine, natural fruit by-products and cork be included in the list submitted.¹⁴⁷ The German delegation, with Spanish support, succeeded in getting a proposal for cereals, dairy produce, fruit and vegetables, approved. Wheat constituted a commodity with extended consumption, organised markets and potentially dollar savings. Dairy produce represented 40 per cent of the OEEC area's agricultural production and fruit and vegetables trade was exemplary of the complexity of market and trade. These commodities were of interest to all nations since all exported or imported them.¹⁴⁸

Participation in the work of the new IC and its committees "would allow Spain to favour the point of view most convenient to the national interest and to influence the final decision adopted to be more in line with it."¹⁴⁹ As the IC was to put forward proposals on the same subjects as the ministerial conference of March 1952, it could not be said that the ministerial meeting advanced the proposed Green Pool closer. Problems arose when attempting to conceptualise the national interest. According to the Ministry of Foreign Affairs, which considered itself the direct expression of the national interest,

¹⁴⁶. Preparatory Working Party for the European Conference on the Organisation of Agricultural Markets, "Summary of the Discussions of the Working Party at its second session (6th-9th January 1953)", Restricted, Ag.GT/Doc.11, 14 January 1953.

¹⁴⁷. The Turkish representative asked for cotton be included in the list. The Greek representative supported this request and also requested that wine be included, as did the French delegate. The Italian representative pointed out that if cotton were included in the list, he would have to request that hemp and silk also be included. The Netherlands representative accepted the list as covering a sufficiently wide range of commodities, although it did not include eggs.

¹⁴⁸. Paragraph based on the discussions at the IC's first meeting; MAE, Leg. 3445, exp. 18: Informe E-6201 from the Agrarian Attaché at the Spanish Embassy in Paris to the Minister of Agriculture, "Primera sesión del Comité Interino de Trabajo del 'Pool Verde'", Paris, 2 May 1953.

¹⁴⁹. MAE, Leg. 3445, exp. 23: Report "Conferencia Organización Europea Mercados Agrícolas (Paris 16 a 20 de Marzo de 1953)", 24 March 1953.

the Spanish delegation to the Green Pool had to defend Spain's economic interests only when "they would not be harmful to the political interests" of the Franco regime.¹⁵⁰ Political interests imposed Spain's participation on a non-discriminatory basis in any future institutional arrangement. The Ministry of Foreign Affairs had not provided any clue as to the economic aspects of the national interest. It had, however, provided a clear-cut framework for action: political factors were to have primacy over any other considerations and the delegation should oppose any proposal implying supranationality. Therefore, harmonisation of the foreign economic options with the political demands of the Franco regime was the absolute minimum condition to be fulfilled.¹⁵¹

Spain had been more concerned with the political advantage of obtaining entry to the conference than with the economic implications of the pool itself. Before March 1953 there had been no attempt to assess the economic consequences of Spain joining the Green Pool. The Spanish authorities assumed that any modification of the structure of European agricultural markets would negatively affect Spain.¹⁵² The participation of the experts from the Ministries of Agriculture and Commerce in the working parties was modest but as a whole significant, as it gave shape to the economic aspects of the national interest. The technical experts were instructed to favour the most dynamic sector of

¹⁵⁰. MAE, Leg. 3445, exp. 16: "Informe sobre el 'Pool Verde'", Madrid, 14 March 1953, containing the instructions to the delegation.

¹⁵¹. The Minister of Agriculture and head of the Spanish delegation, expressed this point clearly: "We [must all demonstrate] our desire to collaborate, and our respect for the political and social institutions which each nation has chosen." MAE, Leg. 3445, exp. 23: Statement by Cavestany, on 19 March 1953, attached to despatch no. 760 from the Embassy in Paris, "Pool Verde", 20 March 1953. Along these same lines were the instructions to Spain's delegations to the transport conference of Paris, March 1953, which were presented by the Under-Secretary Minister of the Presidency, Carrero Blanco, to the Council of Ministers and approved on 13 March; MAE, Leg. 3166, exp. 7: "Instrucciones para la Delegación española en la Conferencia de Transportes interiores europeos convocada bajo la égida de la OECE", 12 March 1953.

¹⁵². The first meeting of the interdepartmental party set up in Madrid in March to assess the implications of the Green Pool talks was convened for 7 May, with no substantial point on the agenda, while the IC had started meetings on 27 April. The party could only very partially undertake the necessary studies; see the reports of the <<Grupo Español de Estudios Preparatorios de la Conferencia Europea sobre la Organización de los Mercados Agrícolas>> in AGA, MAE/11591, folder 567, and C/36725, folder 13.

Spain's agriculture by promoting Spain's exports of fruit and vegetables.¹⁵³ The Spanish national interest that the delegation was supposed to defend required, on the economic side, securing preferential treatment for exports of fruit and vegetables, while avoiding any discriminatory institutional arrangement, on the political side.¹⁵⁴

Participation in the three commodity groups was directly related to the degree of economic interest of the commodities studied. Consequently, the Spanish delegation immediately put most emphasis on fruit and vegetables. Their participation in the other two commodity groups was far from conflicting. The relevance of wheat on the import side and the irrelevance of dairy produce in Spain's overall trade made the attitude adopted in both working groups non-problematic and subordinated to the goals reserved for fruit and vegetables.

The expert group on cereals dealt almost exclusively with wheat, with respect to which all faced a massive deficit (wheat accounted 40 per cent of the entire OEEC dollar deficit in 1950/51).¹⁵⁵ For Spain, the import of wheat continued to be an annual nightmare for the Spanish Administration after the cut of Argentinian supplies. During the years 1950 to 1953, Spain's average wheat production was still some 1 million tons below that of the period 1932-1935, while the population had increased by 4.5 millions. The Spanish delegation's position at the Cereals WP was dictated by the country's supply difficulties and by the fact that grain imports, the most important single item on Spain's agricultural import bill, constituted a drain of foreign exchange resources. The

¹⁵³. As the Under-Secretary of Foreign Economy put it: "Spanish interests in agricultural products are fundamentally those of exporters." MAE, Leg. 4612, exp. 16: Informative Note to the Minister of Commerce, Madrid, 19 August 1953. The relevance of this specific commodity group for Spain, comes also from the fact that the instructions to the Spanish delegation were exclusively instructions to the representatives in the group of experts on fruits and vegetables; AGA, C/37132, folder 21: "Nota para el Señor Ministro de Comercio. Conferencia Europea sobre la Organización y Unión de Mercados Agrícolas", Madrid, 11 June 1953.

¹⁵⁴. Although later the number of commodity groups increased, this section will be limited to deal with the Spanish position on the original three, which initially met during May and June 1953 to prepare reports for the following meeting of the IC scheduled for 7-11 July 1953. For more detailed information on the product negotiations see Griffiths: "The Green Pool Negotiations", EUI Colloquium Paper Doc. 313/90 (Col. 47), Florence, November 1990.

¹⁵⁵. AGA, C/37132: "Nota para el Excmo. Sr. Ministro de Comercio", on the meetings of the groups of experts, Madrid, 25 June 1953.

Government had been obliged each year to devote a substantial part of its slender resources of foreign exchange to the purchase of foreign wheat, mostly payable in dollars, to assure a minimum of bread ration.¹⁵⁶

In 1949/50, Spain imported approximately 528,000 tons of cereals, of which 80,000 tons came urgently from the United States in August/September due to the bad harvest and the initial problems with Argentina and were paid with the credit offered by the Chase National Bank of New York.¹⁵⁷ In the Autumn of 1949, too late to affect the sowing of the 1950 crop, a system was announced by which farmers, after delivering their compulsory quotas at a fixed price, could sell any excess production, through official distribution channels, at prices freely negotiated with consumers.¹⁵⁸ This new system had not made much head when Argentina, which had supplied 90 per cent of wheat imports during the 1940s, announced its official suspension of supplies of wheat in December 1949. This represented a shock to Spanish finances.¹⁵⁹

The final suspension of wheat imports from Argentina forced Spain to desperately look for a wheat exporter able to offer good conditions to a country with a scarcity of strong currencies. The United States Government received a credit request of \$50 million

¹⁵⁶. The estimates consulted confirm that bread ration by the early 1950s was inferior to the 1935 level and close to the early 1940s; see Arturo Camilleri Lapeyre: "La crisis de la agricultura tradicional", Anales de Moral Social y Económica: La crisis de la agricultura tradicional en España (La nueva empresa agrícola), Madrid [Centro de Estudios Sociales del Valle de los Caídos] 1974, pp. 47-71, p. 53; and Manuel de Torres Martínez: Juicio de la actual política económica española, Madrid [Aguilar] 1956, p. 195.

¹⁵⁷. AHBE, IEME, box no. 2: C/A, 26 July and 11 October 1949. The total annual amount of cereals imported by Spain is based hereinafter on the documentation that the working party set up in Madrid in April 1953 sent to the Spanish delegation in Paris, AGA, C/37132, folder 21: "Importaciones [of wheat, rye and maize] verificadas por el Servicio Nacional del Trigo, durante las campañas que se expresan", by the National Wheat Office, Madrid, 21 May 1953, sent by the Under-Secretary of Foreign Economy to the Councillor of Foreign Economy at the Spanish Embassy in Paris, "Datos comercio exterior para Comité de Trabajo Plan Verde", Madrid, 21 May 1953.

¹⁵⁸. Pelham, op. cit., p. 32.

¹⁵⁹. MAE, Leg. 4220, exp. 1: Artajo to his Argentine colleague, 14 January 1950. The figure concerning Argentina's supplies from Barciela: "La agricultura cerealista en la España contemporánea. El mercado triguero y el Servicio Nacional del Trigo (1937-1971)", Doctoral Diss., Universidad Complutense, Madrid, 1981, pp. 557-58.

for the import of cereals, which it rejected in mid-December 1949.¹⁶⁰ The immediate reaction was to increase the Chase National Bank's credit to \$30 million and use part of it to purchase wheat (see table 4.1). In addition to the import programme from the dollar zone (of about 121,000 tons), the Spanish Minister of Industry and Commerce, José Antonio Suanzes, on 14 January 1950, appealed to "any country whatsoever" to ship 500,000 tons of grain to Spain.¹⁶¹ Portugal, France and Canada offered cereals to relieve Spain's urgent need for immediate wheat supply. By March 1950, Spain had obtained 20,000 tons of wheat from Portugal on loan.¹⁶² France sold 10,000 tons of wheat and 10,000 tons of rye and the Spanish pressed them for a further 50,000 tons of bread cereals. France opened an export quota of 30,000 tons, half payable in sterling and half in exchange for another unspecified product, most probably coal or pyrites.¹⁶³ In mid-January 1950 Canada offered to supply Spain with 500,000 tons of the lowest quality wheat to be paid for in dollars, which Spain did not buy.¹⁶⁴ Spain had to make recourse even to import from the Soviet Union.¹⁶⁵ In 1950/51, despite the fact that wheat amounted to 46 per cent of the agricultural import bill, the cereal deficiency was still estimated at 300,000 tons.¹⁶⁶ The extreme difficulty in food supply was considered to be "the only factor which in present conditions could precipitate political change."¹⁶⁷

¹⁶⁰. Viñas: Los pactos secretos de Franco con Estados Unidos. Bases, ayuda económica, recortes de soberanía, Barcelona [Grijalbo] 1981, pp. 46-49.

¹⁶¹. J. Lee Shneidman: Spain and Franco, 1949-59. Quest for International Acceptance, New York [Facts on File, Inc.] 1973, p. 49.

¹⁶². PRO, FO 371/89547: Pelham's despatch no. 76 to Treasury, Madrid, 15 March 1950.

¹⁶³. AN, F/10/5630: Minutes of the meeting of the mixed Franco-Spanish trade and payments commission held in Paris from 15 to 23 March 1950.

¹⁶⁴. AD, 2/EE vol. 41: The French Ambassador in Canada to Schuman, "L'opinion canadienne et le problème des relations avec l'Espagne", 23 January 1950; and AGA, C/37132: "Importaciones de trigo realizadas desde la fundación del Servicio en toneladas", by the Spanish National Wheat Office, Madrid, 21 May 1953.

¹⁶⁵. Manuel Espadas Burgos: Franquismo y política exterior, Madrid [Rialp] 1988, p. 177.

¹⁶⁶. PRO, FO 371/101997: "Spain: Annual review for 1951", 16 March 1952. Considering the import programme from the dollar area, plus Suanzes' request, minus actual imports recorded, the total deficiency was approximately 273,000 tons.

¹⁶⁷. PRO, FO 371/89548: The British Embassy in Madrid to FO, 20 December 1950.

Spain's membership of the International Wheat Agreement (IWA) did not ease its scarcity of strong foreign currencies. Spain spent less than otherwise since wheat supplied to Spain by the United States and Argentina was, on average, 25 percent higher priced than the marketing price established by the IWA for the season.¹⁶⁸ It did not buy more wheat, however, for twofold reasons. First, when it acceded to the IWA in August 1950, it received a clearly insufficient annual purchase guarantee of 100,000 tons (later elevated to 119,000 tons) for the three years left of the agreement.¹⁶⁹ This quota represented about 30 per cent of the (on average) annual tonnage of imported wheat between 1945/46 and 1949/50 crop years. Second, Spain could hardly purchase all its quota due to a lack of foreign currency. The problem of wheat supply could not be solved with an improved access to dollar markets or international commodity arrangements. The Spanish Government continued to find it difficult to spare the dollars required to buy the necessary foreign wheat.

American aid did not help. As members of the Spanish Government were at pains to point out, the \$62.5 million loan, which the United States Congress had voted on 1 August 1950 and which the Export-Import Bank of Washington administered, was no more than of symbolic value since no agreement was reached as to the purposes for which it should be devoted. The Eximbank favoured the purchase of foodstuffs less than the European Cooperation Administration. Therefore, first on the bank's priority list came the purchase of raw materials and capital goods for industrial reconstruction. Foodstuffs were only allowed when a lack of their supply could cause social (and thus political) turmoil.

¹⁶⁸. FRUS, 1951, IV, Herbert E. Gaston, Chairman of the Eximbank, to the Embassy in Madrid, Washington, 23 April, p. 845. The IWA was a commodity agreement for wheat stipulating for exporters an obligation to sell within given price limits and for importers to purchase a fixed quota at that minimum price. The agreement tried to reconcile between wheat producers who wanted high prices to encourage agricultural production and wheat consumers who wanted low prices to protect their wheat consumers, and the need to guarantee prices to expand production at the time of world scarcity and the need to allow competition and modernisation to offer supply at increasingly lower prices.

¹⁶⁹. Spain's IWA membership was approved by the Spanish Government by Decree-Law of 23 June 1950, BOE of 12 July, no. 193. The Federal Republic of Germany and Japan could join the IWA in 1950 once they had also agreed to keep their purchases under certain limits. In June 1951, the Spanish delegation to the IWA Executive Committee asked for an increase of 100,000 tons, which was rejected; cit. in AGA, C/3671, folder 5: Cifra no. 267, the Councillor for Foreign Economy to the Under-Secretary of Foreign Economy and Commerce, London, 18 October 1951.

Furthermore, the actual purchase of commodities financed by the first credits did not take place until May/June 1951 and then wheat was considered as an exception not to be repeated. The \$5 million loan conceded to the import of wheat in March 1951 (the contract which was signed on 29 May elevated the loan to \$7.35 million) allowed the purchasing of 50,000 tons of wheat, which were not sufficient to cover needs before the next harvest.¹⁷⁰ The Spanish Authorities considered a minimum of between 50,000 tons and 70,000 tons more indispensable, of which 25,000 tons should be imported to Spain before 30 June and the rest before 15 July.¹⁷¹ Grain could most probably only come from the dollar area and be additional to the commitments major exporters had in relation to their import partners in the IWA. In 1951, despite of an improved harvest due to the increased level of fertiliser imports, the Spanish Institute of Foreign Currency had to release \$66 millions for the import of wheat. By the end of 1952, Spain remained the only country in Western Europe which still rationed bread.

In 1952/53, for the second year in succession, the wheat harvest was abundant. The last vestiges of food rationing disappeared and the authorities were partially relieved of the necessity to set aside currency for the purchase of imported wheat.¹⁷² However, at the end of March 1953 the adverse effects of the dry and cold winter began to be apparent and, owing to the prolonged drought, the wheat harvest was almost one-third below that of the previous year. Dollar payments for these and future imports were to aggravate the deterioration in Spain's trade balance, which showed a deficit largely as a result of the decrease in the value of Spanish horticultural and mineral products and, most particularly, was due to the rising bill for imported goods. By the time the expert group on wheat started to meet, Spain was importing its entire IWA quota from the United

¹⁷⁰. The Spanish Government had applied for imports of cereals valued at approximately \$10 million; MAE, Leg. 1007, exp. 18: Pat McCarran, Chairman of the United States Senate Appropriations Committee, to Gaston, January 1951.

¹⁷¹. Instructions for Lequerica dated 21 April 1951, quoted in Viñas: "La primera ayuda económica norteamericana a España", in Lecturas de economía española e internacional: 50 Aniversario del Cuerpo de Técnicos Comerciales del Estado, Madrid [Secretaría General Técnica del Ministerio de Comercio] 1981, pp. 49-90, p. 70.

¹⁷². By the end of 1951, a prudent estimate for the following year set the need for imported wheat at 300,000 tons, with a minimum of 200,000 tons; AGA, C/36730: The Spanish National Wheat Office to Argüelles, Madrid, 31 December 1951.

States.¹⁷³ A relapse in the foodstuffs supply situation and the subsequent re-imposition of rationing was to have a serious effect on public acceptance of the regime and, thus, was particularly serious as far as public order was concerned. Would the myth of foreign hostility towards the political regime on which the Government blamed Spain's economic difficulties continue to be tenable fifteen years after the ending of the civil war or were the Spanish to resist any return to post-1945 hardships strenuously? The renewal of the IWA, agreed upon on 13 April 1953, in which the Spanish Government signed for an import quota of about 200,000 tons, produced some prospect of relief of supply, although it continued to represent a drain of dollar reserves. In their determination to avert the imposition of bread rationing, the Spanish Government could only welcome immersion in an initiative which could involve dollar savings and, more importantly even, a guarantee of supply.

This came in the form of a long-term bilateral purchasing contract in which the only two net wheat exporters of the future European pool, France and Turkey, were willing to provide wheat, at a European price, above the IWA price.¹⁷⁴ The French and Turkish delegations argued that the wheat-output increases projected in their national plans (which expected to increase its wheat surpluses to one and two million tons, respectively) responded to the OEEC's call for the maximum expansion of output to cover Europe's deficit in grains and to reduce the hard currency drain.¹⁷⁵ Both delegations agreed that

¹⁷³. AGA, C/3671, folder 6: IWA, Secretariat, Doc. IWC/WR.4/33-4/385, Report 33, "Cumulative Totals of Sales and Purchases for Crop Year 1952/53", 27 February 1953.

¹⁷⁴. France had tried already to use the IWA to force sales abroad by means of linking wheat sold off-IWA to the sales agreed at the IWA. That is, a country member of the IWA could purchase French wheat under the IWA solely in the case it bought French off-IWA wheat many times the quantity to be bought under the IWA. This attitude was denounced (by the Dutch Embassy to the International Wheat Council) as being totally in contradiction to the IWA clauses by which offers to sell wheat were to be done at prices consistent with the maximum prices determined under the IWA clauses; AN, F/10/5270: "Conseil International du Blé", J. de Sailly, Commercial Councillor at the French Embassy in Great Britain to the French Ministry of Finance and Economic Affairs, 25 June 1951.

¹⁷⁵. Faced with the problems of rearmament and increased dollar expenditures, the OEEC Council, in March 1951, called on member countries to increase their agricultural production, particularly those commodities imported from overseas. The fear of surpluses and falling prices was counter-effected by providing producers assured outlets for their products through organised marketing in the form of long-term contracts; PRO, MAF 83/3388: "Notes on Food and Agriculture Committee of the OEEC and the Pflimlin Plan", London, 16 April 1951. For a detailed overview of the wheat market situation in

this, implied not only assured outlets but prices insulated from world prices that would allow, after a (vaguely set) transition period, to stimulate further production, to improve productivity and to bring prices down to international levels. Once the gap between European and world prices had been reduced, trade would take place within a free-trade-barriers area according to the system of minimum import prices exercised by importing countries, as the Dutch delegation had proposed as the first stage. A common external tariff would continue to provide protection from imports from outside the pool and provide funds to subsidise European exporters. The French proposal was backed immediately by the other two exporters Turkey and Sweden and by Belgium and Germany, who maintained domestic prices well above even the French level.

A second proposal involved the establishment of a multilateral agreement for the common absorption of European wheat surpluses on a quota basis at a single equitable price. The renewal of the IWA shows to what extent, in this specific case, European economic cooperation was in opposite terms to international economic cooperation. France signed as an exporter, with a minimum quota of 10,000 metric tons (reduced later to only 9,215 metric tons). In March 1949 a ten-times larger exporting quota was regarded by the French as insufficient! From August 1949, France's export surpluses in wheat had already reached 100,000 tons. The French long-term programme to the OEEC forecast an objective of wheat exports between 1.5 to 2 million tons by 1952 and the off-IWA wheat import requirements of the European nations were estimated at approximately 4.5 million tons for 1950/51!¹⁷⁶ In 1953 in contrast, France did not consider the IWA the best means to find outlets for French wheat surpluses. The bulk of French production was reserved for the European Agricultural Community at guaranteed high prices.¹⁷⁷

Western Europe see AN, F/10/5695: Preparatory Working Party for the European Conference on the Organisation of Agricultural Markets, Report No. 1, Cereals, 15 September 1952.

¹⁷⁶. AN, 80/AJ/14: "Sommaire des objectifs envisagés pour atteindre l'équilibre en 1952", 18 June 1948; AN, F/10/5694: Secret Note on the European organisation of the wheat market, annex II, 1951.

¹⁷⁷. France maintained the same position concerning wheat since the very conception of the Pflimlin Plan. "[S]i sur le marché commun la France surproductrice ne pouvait placer sa production qu'au prix de l'accord de Washington ou aux prix 'mondial' quel qu'il soit, ce serait la négation même de la notion de marché européen commun." AN, F/10/5694: Under-Commission for Cereals, entrusted with the task of studying the French interests in a common market for wheat, "Organisation d'un marché européen des cereales.

Unfortunately for France, the obstacle which led to difficulties over the IWA renewal also worked against French intentions for a European price. From the beginning of the 1953/54 crop-year there was a downward trend in wheat prices which placed international prices at a lower rate than the minimum IWA price.¹⁷⁸

The low price importers, such as the Netherlands and Denmark, for which imported feed grains were essential for their livestock industries, were unwilling to pay high prices to subsidise inefficient production. They recalled that the OEEC, faced with the problems of rearmament at home and abroad, did encourage member states to increase their agricultural production but at the same time stressed the need for increased efficiency and greater productivity.¹⁷⁹ The United Kingdom and Switzerland argued that any preferential agreement at higher than international prices to promote expansion of yields was inconsistent with existing undertakings under the GATT and OEEC. The British and Swiss representatives had no intention of committing themselves to long-term purchasing contracts for expensive food exports when their policy was geared to the consumption of low-cost food imports either from the Sterling Area or, in case of further need, the dollar zone.¹⁸⁰ They had not ratified the IWA's renewal for the same reason. Their position swept away any chances of advancing on the multilateral agreement, which required the participation of all nations.

The British had expected that, by making clear that their market would not be part of any preferential area for increased agricultural production, the work of the groups of

Rapport de M. Pierre Hallé", n/d, probably October 1950. "Si le succès d'un débouché européen est possible, aucun intérêt à supporter un << lourde >> sacrifice dans le cadre d'un Accord International. Si au contraire, un débouché européen s'avère impossible, aucun intérêt à surproduire. Il faudra renoncer à une politique d'expansion." AN, F/10/5643: "Note sur le renouvellement de l'accord international sur le blé", Paris, 15 January 1953.

¹⁷⁸. AN, F/10/5643: International Wheat Council: "Annual Report for the Crop-Year 1954/55", London, 1955.

¹⁷⁹. Diebold: Trade and Payments, cit., p. 253.

¹⁸⁰. Monnet's original version of the plan in 1948 envisaged the United Kingdom as a market able to absorb 800,000 tons of French wheat in 1952; AN, 80/AJ/14: "Moyens d'exécution du Plan 1952", 15 January 1949.

experts would have collapsed.¹⁸¹ On the contrary, in the case of cereals, it propelled the rest of the countries to consider that high producer and consumer prices could stimulate their respective domestic production. Furthermore, the French proposal provided a bargaining position from which some degree of preference in return for other suitable concessions (such as manufactured goods for Western Germany and the BLEU countries, fish products for Norway, fruit and vegetables for Italy) could be allowed. The general mood was such that even the Netherlands and Denmark came down to the ring to purchase 30,000 tons each in exchange for concessions on dairy produce.¹⁸² The compensatory market access for other commodities which this attitude seemed to imply, meant a synchronisation among commodity groups, which did not in fact take place.

Maintaining State control over grain trading, Spain concluded in principle a long term purchasing contract amounting to 100,000 tons of French wheat annually. This quota, added to Spain's renewed IWA quota of 145,000 tons for the following three years, would have covered the country's total annual import requirements of a little over 200,000 tons. Spain also accepted that the European price was higher than the world price (about 10 per cent above world market price). A guarantee of supply and the prospect of dollar savings made the agreement worthwhile. It should be recalled that France, Spain's largest single wheat supplier, had been sending wheat to be paid mostly in hard currencies. Nevertheless, Spain suggested that the premium should decrease during an (undetermined) transitional period, after which it should be eliminated altogether. Importers would then be free to choose their suppliers according to the most favourable price, implementing minimum domestic prices to protect their national productions once all tariff and quantitative restrictions had been abolished and a minimum import price regime established. However, the Spanish delegation proposed making the negotiation of the premium and its timing and even any possible compromise over wheat, conditional upon

¹⁸¹. PRO, CAB 134/1014: MAC(53)21st meeting, "Ministerial Conference on the Organisation of Agricultural Markets in Europe-The Green Pool", 14 May 1953.

¹⁸². AGA, C/37132: Note for the Minister of Commerce, Madrid, 25 June 1953; MAE, Leg. 4612, exp. 16: Note to the Minister of Commerce from the Under-Secretary of Foreign Economy, "Reunión en París del Comité Interino de la Conferencia Europea sobre la Organización de Mercados Agrícolas", Madrid, 15 July 1953.

suitable future concessions on fruit and vegetables, particularly in terms of liberalisation.¹⁸³

Regarding the WP on dairy produce, the Spanish delegation did not take too restrictive a position, since it might have endangered the arguments to be put forward in the WP on fruit and vegetables. Spain's economic interests were limited, since its total import figure of dairy produce was very low. Its only concern was that of increased competition in the cheese sector and the pressure that continental butter surpluses might exercise in forcing up the reduced level of butter consumption in Spain. Experts themselves eliminated any danger of immediate liberalisation. They initially envisaged a mere coordination of state intervention and price control systems and, subsequently, a *progressive* elimination of trade restrictions. In this case, protection for domestic cheese production could be maintained through health provisions. The group of experts agreed to discuss the progressive opening of global quotas and the expansion of trade by the progressive elimination of quantitative restrictions, although import duties were to be maintained until the complete harmonisation of national policies within a unified market.

The Spanish delegation did not oppose global quotas, which they passionately defended for fruit and vegetables. According to this system, imports were free up to the limit of the quota fixed unilaterally by the importing country. The quota could be one of quantity or value, but it could not distinguish between exporting countries. Having no main interest in the debate, the delegation decided to make points of principle which could be transposed to fruit and vegetables. It supported the argument of overall import quotas set at a higher level than the sum of all the existing bilateral quotas, with automatic annual increases, augmented at the expense of third countries (i.e., preferential purchasing) and in line with increased consumption (i.e., lowering the levels of protection). Finally, there would be no discriminatory practices according to the source of supply. The Spanish delegation would never have backed such a set of proposals for the dairy produce sector. In real terms, the Spanish delegation considered the gradual expansion of import quotas,

¹⁸³. AGA, A/6814: "Nota para la redacción de instrucciones a la Delegación española que asistirá al Comité Interino del 'Pool Verde' de 16 de Diciembre de 1953", Madrid, 3 December 1953.

checked by a system of minimum domestic prices in the hands of the national authorities, as better means to provide the necessary protection for Spain's domestic production in the field. The important point is that the Spanish delegation only timidly needed to support its real interests. The diametrical distant position maintained among delegations saved the Spanish representatives from defending totally opposed positions in the different working groups. Though this never caused embarrassment to anyone, in particular the French, the Spanish were new to multilateral negotiations and thought it very convenient to show a uniform policy-line so as not to compromise their support for liberalisation in fruit and vegetables.¹⁸⁴

The Spanish delegation immediately placed most emphasis on fruit and vegetables. Exports of these commodities to the OEEC countries represented 90 per cent of the nation's total fruit and horticultural exports, which were in turn of extraordinary importance in overall export trade terms (see table 7.2).

TABLE 7.2
VALUE OF THE SIXTY MAIN PRODUCTS EXPORTED IN 1952
(in percentages)

Fruit and Vegetables	48%
Oils, Wines and Alcoholic Beverages	9%
Other Agricultural Products	5%
Canned Fish	2%
Raw Materials	26%
Manufactures	10%
TOTAL	100%

Source: AGA, A/6815: "Consideraciones económicas acerca de la Conferencia Europea sobre Mercados Agrícolas" by the National Institute for Agricultural Research, 1 July 1953.

Citrus fruits were particularly important in earning foreign exchange, oranges being the largest single export commodity. The main goal to be derived from Spain's access to the negotiation tables was to expand its exports of fruit and vegetables, commodities in which

¹⁸⁴. Both preceding paragraphs are based upon MAE, Leg. 3445, exp. 19: "Informe referente a las reuniones celebradas por el grupo de expertos sobre productos lácteos de la Conferencia Europea sobre la organización de mercados agrícolas", 1 July 1953, and, Report by the Under-Secretary of Foreign Economy, "Nota resumen de los problemas a tratar en la próxima reunión de los grupos de expertos, que se eleva a la consideración y aprobación de los Excmos. Sres. Ministros", 22 August 1953; and, AGA, C/37132, folder 21: "Informe previo del grupo de expertos <<productos lácteos>>", Paris, 27 June 1953.

Spanish production was considered competitive. Experts in Madrid calculated that an increase of 20 per cent in the export of these commodities would have provided the same amount of foreign currency earnings as would have been obtained by doubling Spain's exports of manufactured goods.

The delegation's main objective was to replace the network of restrictive bilateral agreements by some sort of multilateral mechanism still to be defined. They would most probably include multilateral commodity arrangements and the reduction of the restrictive trade measures applied to Spanish agricultural exports by some of the OEEC members. Furthermore, intra-pool preference would expand Spain's exports to the European markets, whose increasing requirements in fruit and vegetables were not satisfied from within the OEEC area.¹⁸⁵ That most extra consumption was coming from outside the OEEC was particularly damaging in the case of citrus fruits, where the traditional intra-European trade flow from the Mediterranean to North European countries was challenged by non European producers (see table 7.3).

TABLE 7.3

IMPORTS OF CITRUS FRUITS INTO SEVEN SELECTED EUROPEAN COUNTRIES(*)
WITH AREA OF ORIGIN
(in millions of dollars at 1952 c.i.f. prices - annual averages)

	1925-29	1934-38	1948-50	1951-52
Dollar Area	3	11	4	11
Non-Dollar Latin America	-	16	5	3 (by UK & France)
Overseas Sterling Area	6	21	24	23 (21 by UK)
Other Affiliated Overs. Areas	2	7	41	44 (38 by France)
Other Overseas Countries	9	37	26	17 (14 by UK & F.)
Western Europe	114	100	70	119
TOTAL	134	192	170	387

(*) The Benelux countries, France, Italy, the Netherlands, the United Kingdom and the Federal Republic of Germany. Source: "Europe's Trade in Agricultural Products", in United Nations: Economic Bulletin for Europe, Forth Quarter, 1953, vol. 6, no. 1, Geneva, May 1954, pp. 22-53, p. 36, based on the OEEC statistical bulletins and on national trade statistics for non-OEEC member states.

In the late 1920s, 88 per cent of Western European consumption was supplied from within the area. In 1951-52 this percentage decreased to 31 per cent. The rest came from the

¹⁸⁵. The OEEC area's imports of fruit and vegetables increased by \$267.5 million from 1950 to 1953, while OEEC exports increased by \$49 million; Erik Mortensen: "Producción y consumo mundiales de frutas y verduras", Revista de Economía Política, vol. 6, no. 3, September-December 1955, p. 252.

Sterling area for the United Kingdom, from North Africa for France and from a multiplicity of sources for the whole of Europe. The result was progressive competition on the European markets by Morocco (Navel), Tunisia (Clementine) and Israel (Jaffa) with Spanish orange exports. Between 1934-38 and 1947-50, Spain's share in the European market fell from 55.5 per cent of Europe's total imports of citrus fruits to 29.8 per cent, although it continued to be the leading supplier of citrus fruit to Europe. During the following five-year period this percentage further increased to 49.1.

Spain's reduced volume of orange exports was entirely due to a decrease in exports to three countries, the United Kingdom, France and Germany, its three largest traditional export outlets for the Spanish oranges. The decline was most marked in exports to Germany, which took insignificant quantities in post-1945 years as compared with the 175,000 tons purchased from Spain in the early 1930s. Exports to the United Kingdom market also appeared to have been more or less stationary in the post-war years. Spanish exporters suffered a recession in the British market during 1952, partly for purely commercial reasons and partly owing to the effects of British import restrictions.¹⁸⁶ France was the only large traditional market which made an outstanding recovery in 1949 and 1950 and during the season ended in July 1951 it became the largest buyer of Spain citrus fruit, exceeding by ample margin the figure envisaged in the trade agreement. By the time Spain reached the negotiation tables on agriculture, at the 1952/53 orange export campaign, it had finally recovered the export level attained during the years immediately preceding the Civil War due to the recovery of pre-Civil War levels of output and traditional markets. Switzerland, the Benelux and the Scandinavian countries had a very limited absorption capacity and maintained almost invariable import volumes (see table 7.4). The recovery of the levels of production and exports did not mean the recovery of Spain's past position on the European markets. Exports to the main pre-Civil War markets, the United Kingdom and France, seemed to have reached the maximum capacity allowed by the competition of North African producers and Commonwealth countries. There were few chances for any large export increase on the British market, essentially because the British desired a wide variety of sources of supply.

¹⁸⁶. See chapter five, pp. 391 ff.

TABLE 7.4

SPAIN'S PRODUCTION AND EXPORTS OF ORANGES
(in tons)

	PRODUCTION	EXPORTS			
		U.K.	FRG	France	Others
1931/35	1,166,100*	267,000	175,000	213,000	204,000
1949/50	621,500	63,738	34,278	151,816	132,312
1950/51	840,930	151,225	69,183	188,741	207,786
1951/52	947,000	147,075	113,654	238,951	204,498
1952/53	1,113,000	174,257	311,808	218,446	225,896

Source: 1949/53, AGA, C/37.132: Statistics provided by the Spanish study group to the delegation in Paris, n/d; exports for 1931/35, Fritz Baade: La agricultura española v el comercio exterior, Madrid [Instituto de Desarrollo Económico] 1967, table 1.1; production for (*) 1927/31, Instituto Valenciano de Economía: Economía citrícola, Madrid [Sindicato Nacional de Frutos y Productos Horticolas] 1951, p. 43.

On the French market, attention was paid not to endanger the North African orange producers' sheltered position. When Spain exceeded the export figure envisaged in the trade agreement for the season ending in July 1952 (despite the 35 per cent ad valorem levy between 1 September and 1 January), a restrictive quota for the 1952/53 campaign (220,000 tons, allowing for only 50,000 tons before January 8th) was implemented.¹⁸⁷ The Spanish assumed that the levels reached represented approximately the maximum export tonnages which the British and French would allow to Spain under normal circumstances. Expectations were mostly placed on the elasticity of the German market. The elimination of quantitative restrictions on Spain's citrus fruits in the 1952 bilateral agreement (though a 10 per cent levy was maintained), resulted in Spain supplying 78 per cent of Germany's total imports of oranges and mandarins in 1953 (versus 10 per cent in 1950). Italy decreased from 36 to 14 per cent in those same years, Morocco dropped from

¹⁸⁷. See Liniger, op. cit., p. 154. French North African producers had demanded the French Government to postpone to 15 February the starting point of the Spanish export campaign in France; AGA, C/37132, folder 21: Mosquera to the General Director for Commercial Policy and Treaties, Spanish Ministry of Foreign Affairs, Paris, 25 June 1953. In 1952, 43 per cent of France's total imports of oranges came from Spain with a total value of Ff 8,038,750. They were in a strong competition with exports from Algeria (Ff 5,340,266) and Morocco (Ff 3,228,460). Oranges were by far the most valuable commodity exported and together with mandarins and lemons accounted for 48.9 per cent of Spain's total exports to France, while agricultural products accounted for 72 per cent of Spain's exports to France. Direction générale des douanes et droits indirects: Tableau Général du Commerce extérieur. Année 1952, Commerce de la France avec la France d'outre-mer et les pays étrangers, Paris [Imprimerie Nationale].

46 per cent to nil and the remaining countries passed from 6 to 3 per cent.¹⁸⁸

Not surprisingly, the Spanish delegate, Antonio Mosquera y Losada, who was Councillor of Foreign Economy at the Embassy in Paris, joined his Dutch colleague in opposing any increase in tariff barriers, quantitative restrictions (including those of a seasonal character), minimum domestic prices, high levels of health and quality controls. In contrast, they proposed the adoption of measures for the progressive (and automatic) reduction of all protection measures.¹⁸⁹ Complete trade liberalisation was naturally to be accompanied by European preference, thus ending the competition from non Western European countries and especially from the Southern Mediterranean coast. Had the original Spanish proposals been accepted, Spain would have been able to export the maximum quantity of agricultural produce which Western European demand and competition would have allowed, under preferential conditions compared to all non-Green Pool members. This was not the case however.

The expert group resisted reaching anything close to full trade liberalisation in fresh fruit and vegetables. The widespread use of domestic protection was a constant feature, since all countries required it for at least some sectors, except citrus fruits. Furthermore, there were special obstacles to trade in a sector in which all countries cultivated most crops, within a wide variety of products and vast differences in quality and price: the so-called *calendriers*.¹⁹⁰

¹⁸⁸. Baade, op. cit., table 1.3, and Liniger, op. cit., p. 141. For a contemporary perception of the possibilities on the different European markets see "La campaña naranjera", *Agricultura. Revista agropecuaria*, no. 260, December 1953, pp. 675-76. For the characteristics of Spain's position in orange trade, see Manuel de Torres Martínez and Higinio Paris Eguilaz: *La naranja en la economía española*, Madrid [Sindicato Nacional de Frutos y Productos Hortícolas] 1950, for the 1920s and 1930s, Instituto Valenciano de Economía, op. cit., for the post-1945 difficulties and increased international competition; and, Liniger, op. cit., for the 1950s.

¹⁸⁹. MAE, Leg. 3445, exp. 18: Despatch no. 659 from the Under-Secretary of Foreign Economy to the Secretary of the 'Green Pool' National Working Party, Madrid, 8 June 1953; AGA, C/37132, folder 21: "Conferencia Europea sobre Organización y Unificación de Mercados Agrícolas", Note to the Minister of Commerce, Madrid, 11 June 1953; MAE, Leg. 3445, exp. 19: Instructions to the Spanish delegation to the WP on fruit and vegetables, in "Nota para el Excmo. Sr. Ministro de Asuntos Exteriores sobre la Conferencia Europea sobre Organización de Mercados Agrícolas", by the Under-Secretary of Foreign Economy, Madrid, 11 June 1953.

¹⁹⁰. See chapter five, pp. 379-80.

A complete reversal of protection in the sector was not desired by anyone and the discussion centred on selecting what could work more efficiently in expanding trade while protecting markets.¹⁹¹ The experts agreed that, although the system of *calendriers* should be abolished, another disciplinary mechanism should be implemented to avoid domestic prices falling due to massive imports. Experts studied two basic systems to give effective protection to home production: bilateral quotas (with or without *calendriers*) and global quotas with the corrective mechanism of the minimum price system.¹⁹² Bilateral quotas, particularly if accompanied by *calendriers*, were the most restrictive and discriminatory of all the protection systems. Most countries would have preferred to keep domestic markets protected through strict recourse to bilateral quotas but the IC's mandate was to work towards the "assouplissement" of existing restrictions.

The Spanish representative supported the system of global quotas without any seasonal restriction and accompanied by a clause providing for automatic increase. Global quotas offered more room for competition on the part of the exporting countries, to the advantage of the importing country. Early Spanish production did not risk finding the quota exhausted on reaching the importing markets. The disadvantages of the system resided in the unilateral fixing of the quota, the duration of regulations and the fact that the restrictive period generally implied the closing of the frontier during the marketing period of the home product. Again, the Spanish representative repeated the conditions that global quotas should satisfy to allow some trade improvement, which have already been mentioned when dealing with the expert group on dairy produce.¹⁹³

The system of minimum prices attracted majority support, since it protected domestic producers while linking protection directly to the state of the market. Imports

¹⁹¹. PRO, FO 371/106036: Ag.CI/FL.7 (Rev.), "Draft Report on the Organisation of the fruit and vegetables market submitted to the Interim Committee", 23 September 1953.

¹⁹². The Swiss delegation presented, in turn, the three-phase import regime that characterised the Swiss import regime: a first phase of complete freedom, followed by a short period of global quotas fixed in the light of the home grown harvest and ending in complete import prohibition; *ibid*, annex iv, "Statement made by the Swiss Experts to the Group on Fruit and Vegetables".

¹⁹³. AGA, C/37132: "Nota para el Excmo. Sr. Ministro de Comercio", Madrid, 24 June 1953.

were free when, for goods of similar quality, both the import price on the one hand and the sales price noted on the home market of the importing country on the other attained or exceeded the minimum price. Once the sales price fell below the minimum price, the importing country was allowed to suspend imports.¹⁹⁴ Spain initially opposed the whole idea of minimum prices, no matter which method was used to establish them (unilateral, bilateral or multilateral). The Spanish delegation would have agreed on global quotas with minimum prices if a guarantee could be given that the price fixing process was "fair", i.e., multilaterally fixed on a non-discriminatory basis, and including a mechanism for its automatic reduction. The Spanish delegation, however, considered minimum prices to be less restrictive than the then current situation of bilateral quotas and *calendriers*, since it permitted competitive exports during the entire year, although it did not completely rule out the fixed timetable and the closing of frontiers. The delegations from Belgium and France, arguing the difficulty in fixing minimum prices on a seventeen-power basis, given the wide range of production costs and comparable varieties, the daily price oscillation of products and the difference in transport costs, led the group to encounter the same problem which had deadlocked the discussion of the experts on dairy produce, by refusing to accept any interference in the fixing of domestic prices or any automatism in price levels. This meant that domestic prices could be set at levels which would make trade beyond a certain limit impossible, which the Dutch delegation opposed.¹⁹⁵

The division of interest was sufficient to prevent any commodity agreement at the IC and its groups of experts during the several rounds of negotiations from April 1953 to January 1954. In theory, the ultimate aim was professed to be the progressive unification of markets with the removal of tariffs as well as quantitative restrictions within western Europe. Emphasis was laid on the difference between this objective and the work

¹⁹⁴. Notes on the minimum price system implemented within Benelux and contained in the German trade agreements with the Netherlands and Italy to be found as annexes v-vii to Ag.CI/FL.7 (Rev.), cit. In the case where the market price in the exporting country was lower than the minimum price, an equalisation fee was levied.

¹⁹⁵. MAE, Leg. 3445, exp. 19: Despatches no. 1468 and 1577 from the Spanish Ambassador in Paris, "Sobre trabajo realizado hasta ahora por los grupos de expertos del 'Pool Verde'", 11 June 1953, and "s/ marcha de los trabajos del 'Pool Verde'", 22 June 1953, respectively; and, AGA, C/37132, folder 21: Julio Rajal Guinda, the Secretary of the Spanish delegation, to Argüelles, Paris, 24 June 1953, and "Informe preliminar elaborado por los expertos del grupo <<frutas y lugumbres>>", Paris, 25 June 1953.

within the OEEC. As a step towards this distant aim it was proposed to organise markets. In simple terms, this meant that countries should coordinate all aspects of their agricultural policies and attempt to harmonise the differences in production conditions which prevent freer trade. As to trade itself, as a first step, it was proposed that multilateral quotas, with possible provisions for minimum prices, should be adopted. In addition, countries should grant trade preferences for European products during the organisation stage in order to stimulate production and pave the way for eventual unification. In practice the disagreement on the system to be adopted for calculating prices and the absence of compensations had led the group on cereals to set preferential agreements at a much lower level than the anticipated size of non-OEEC grain imports and exportable European wheat.¹⁹⁶ The disagreement on how trade restrictions should be <<softened>>, what instruments for domestic protection should be used until a common market came into being and the British refusal to join any European scheme, led the work on dairy produce and fruit and vegetables to a halt. Except for some vague generalities about harmonisation of production, research, increase in consumption and the desire for coordination of national policies, none of the recommendations were unanimous. None of the expert groups was able to reach agreement on the crucial questions of trade arrangements and the application of trade preference.

The Spanish delegation never gave up the pursuit of progressive reduction of seasonal restrictions and tariff levels of protection, and the progressive increase in the global quotas for each single product either in volume or value. It also pressed for a strict definition of trade preference. But the reports only accepted a formula whereby participating countries, without renouncing off-pool purchases, could reserve further import increases to pool members. The delegations of the Netherlands, Switzerland, the United Kingdom, Portugal and Greece opposed any strict definition of this principle. The desire to avoid the constitution of a high-cost club, to maintain colonial preferential links

¹⁹⁶. Preferential agreements reached the level of 1,160,000 tons, while the non-OEEC wheat deficit amounted to an overall figure of 5,290,000 tons and France and Turkey anticipated export surpluses of 4.25 million tons by 1958/59; ECOAM: "Preliminary Report by the Group of Experts on Cereals", Ag. C1/Cer 5, 25 June 1953; and "Second Preliminary Report on the Organisation of the Cereal Market submitted by the Group of Experts to the Interim Committee", Ag. C1/Cer 7 (Rev 2), 19 October 1953.

and to avoid the disruption of the equilibrium of the balance of payments with the EPU area which Greece had only most recently reached, were the main reasons behind their attitude. The only success which can be attributed to Spain (and Italy) was the agreement of special treatment for citrus fruits, namely the need to find *ad hoc* solutions to the intra-European citrus trade, although no specific proposals appeared in the final report.¹⁹⁷

The question of the real economic benefits of the issue was posed when it was argued that Madrid acclaimed access to the negotiations as the achievement of important political and economic targets. In the case of wheat, the European Conference on the Organisation of Agricultural Markets (henceforth ECOAM) had not solved the problems presented to Spain as a result of the drought of the previous year and the consequent damage to and shortage in its normal crop. Because of the drought and shortage, the Spanish Government found it necessary to import large amounts of wheat. These imports required the diversion of foreign exchange on purposes and uses which, early in 1953, were not contemplated by the Spanish Government. Although imports sufficient for needs were made during 1953, by the time the IC's final report was being drafted, it was estimated that up to 200,000 tons of wheat should be urgently acquired by Spain to tide it over until the 1954 harvest came on the market and to afford it some margin of safety against contingencies.¹⁹⁸

On the one hand, the slow progress in the experts' discussion did not allow commodity agreements to proceed. In the case of wheat, might have proved easier to accelerate these at the bilateral level with the French. On the other hand, although it was

¹⁹⁷. Paragraph based on AGA, C/37132, folder 21: "Nota resumen sobre las decisiones tomadas por el grupo de expertos de frutas y legumbres", Paris, 30 July 1953, and "Nota relativa a los programas de trabajo elaborados por los grupos de expertos de cereales y productos lácteos", n/d; and, MAE, Leg. 3445, exp. 20: Instructions to the Delegation to the 4th Interim Committee Meeting (13-16 December), Madrid, 7 December 1953. The IC met on 7-11 July 1953 and again, after a new round of meetings in working parties, in December, January and February 1954, to approve the report to the second ministerial conference convened for June 1954.

¹⁹⁸. AGA, C/36625: "Memorandum. Préstamo de trigo sobrante", Madrid, 26 February 1954.

possible to make use of the Economic Aid Agreement entered into with the Government of the United States in September 1953, the Spanish Government had reserved the use of counter-fund pesetas for checking the expected inflationary effects of the agreement and of an increased military effort. The greatest need for economic aid to counter the inflationary impact of the base programme was expected to be in the latter part of FY 1954 and all of FY 1955. The fluctuations of supply on the Spanish market and the uncertainty of the European negotiations for French and Turkish wheat, forced Spain to adopt the decision to import dollar wheat.

In response to urgent appeals, the Eisenhower Administration offered 300,000 tons of wheat for a total value of \$20 million specifically allocated through the Commodity Credit Corporation and outside the normal assistance programmes.²⁰⁰ Wheat deliveries began immediately after the signature of the agreement on 31 March 1954, with payment in pesetas at the prevailing world price. The rate of exchange adopted, however, created a precedent that the Spanish Minister of Commerce strongly disliked.²⁰¹ Furthermore, the counterpart pesetas were drawn upon by the United States Government to finance its expenditures in Spain, in particular the peseta cost of its bases construction programme, rather than to support development programmes. The immediate reason for this was that American estimates considered certain that the peseta cost of Spanish goods and services were to exceed the total amount of counterpart pesetas available from the Spanish defence support programme for the U.S. programme of peseta expenditure in Spain during 1954,

²⁰⁰. Section 550 of the Mutual Security Act of July 1953, the so-called McClellan Amendment, authorised the use of between \$100 and \$250 million of military aid funds for financing the purchase by foreign countries of surplus agricultural commodities.

²⁰¹. The initial American proposal suggested the free Tangier exchange rate, which at the time of wheat purchase (Pts 43 to \$1) was much higher than the maximum official rate of exchange applied in Spain (Pts 38.95 to \$1). According to the initial American proposal, if the value of the peseta in dollars had depreciated in the Tangier market at the time these pesetas were being spent for the U.S. base-building programme, Spain would compensate the United States to the extent of this decline by a grant of further pesetas. If, on the other hand, the peseta had appreciated in value, the United States would reimburse the Spanish Government in a similar manner. The Minister of Commerce rejected the proposal on the grounds that during the negotiations leading to the Agreement of September 1953 the Americans had recognised an exchange rate of Pts 35 to \$1. Finally, it was agreed an exchange rate of Pts 42.5 to \$1, which was slightly inferior to the Tangier rate but higher than the maximum Spanish rate. The Spanish Minister of Commerce considered this operation exceptional, due exclusively to the extreme supply circumstances. See documentation classified in AGA, C/36625.

even if Spanish prices were maintained.²⁰²

Due to the urgency of the situation, Spain accepted the unfavourable conditions demanded by the United States authorities. During the 1953-54 crop year, Spain had to purchase 1.4 million tons of grain (including the 300,00 tons purchased in pesetas from funds allocated from the Commodity Credit Corporation) representing an exchange drain between \$90 and \$100 million equivalent, a large portion of which was in dollars.²⁰³ Thereinafter, Public Law 480 authorised to sell wheat and other United States surplus farm products to Spain against payment in pesetas.²⁰⁴

In general terms, however, the most direct economic benefit stemming from participation in the Green Pool had been the support received for the request to treat Spain as an OEEC member without holding OEEC membership. The Spanish asked their Green Pool partners to extend to the Spanish export goods trade liberalisation measures in terms similar to OEEC members and to increase the quotas on products not subject to liberalisation. With different degrees of success Spain obtained a *de facto* OEEC treatment and immediate increases in quotas from the level set by the trade agreements then in force. Obviously, different countries (i.e., Belgium, France and Switzerland) maintained a *calendrier* system and quota restrictions for those products competing directly with its domestic production, as they did with the OEEC countries. However, although, Spain could export those commodities liberalised within the OEEC without

²⁰². PRO, FO 371/113033: U.S. Department of State, Office of Intelligence Research, Secret Intelligence Report no. IR-6634, "Spain's probable role in Western Europe", 28 July 1954.

²⁰³. The large programme of wheat imports necessitated, apart from the above mentioned \$20 million in pesetas, approximately \$52 million for imports from the dollar area and \$14 million in other foreign exchange to purchase from other sources; FRUS, 1952-1954, VI, "The Director of the US Operations Mission in Spain (Williams) to the FOA", Madrid, 23 March 1954, and "Record of meeting between Spanish Minister of Commerce Arburúa and certain United States representatives, Washington, April 1954", pp. 1967 and 1974, respectively. The Spanish Government expressed the need to allocate \$100 million equivalent for cereal purchases (including the \$20 million in pesetas); Spanish Ministry of Foreign Affairs' Note Verbale to the American Embassy in Madrid, sent by Dunn to the Department of State, *ibid*, Madrid, 2 April 1954, p. 1971.

²⁰⁴. See Gabriel Fernández de Valderrama: "España-USA, 1953-1964", Economía Financiera Española, no. 6, 1964, p. 47 and documentation in MAE, Leg. 7741 for contracts and shipments under the terms of P.L. 480 between Spain and the United States. See chapter four for the different points mentioned in this paragraph.

quantitative limits, this country was rarely treated on an equal footing with the other OEEC countries. Import concessions came on a bilateral basis and were subjected to unilateral modification.²⁰⁵

7.4.2. The Paradox of the Institutional Question

Spain's unique situation within pools of OEEC members made the institutional question a main point of concern for its delegations to the ministerial meetings on agriculture and transport, which took place simultaneously in March 1953. The Spanish delegations were instructed to guard the national interest against any discriminatory institutional plans.

At the transport conference the Spanish delegation did not play an active part. This was so even when the idea of the OEEC taking decisions on behalf of Transport Ministers arose in connection with the hypothesis of a complete integration of the new body within the OEEC. The majority position in the transport field (in favour of an autonomous organisation, placed outside the OEEC, with active Spanish participation) made unnecessary for the Spanish delegation to oppose close links with the OEEC.²⁰⁶ At the agricultural conference, the Spanish delegation supported the setting up of an IC to undertake more studies before considering what form of organisation was necessary. The Spanish delegate protested against any suggestion that the main issue was institutional

²⁰⁵. See detailed account in chapter five, p. 448.

²⁰⁶. "The advantages for Spain from the solution presented are quite evident [runs a report on the subject] Spain would belong to an autonomous organisation having close relations with OEEC. Such a position would place Spain on the threshold of entry whenever this was considered convenient and were fulfilled all conditions to assume obligations and benefits emerging from membership. To this specific advantage has to be added the fact that Spain would take a cautious step forward in her relation to the European integration movement at an equal footing to the other States and without making further compromises implying engagements of any political nature". MAE, Leg. 3166, exp. 7: "Conferencia Europea de Transportes Interiores", report drafted by the Department of International Organisations at the Spanish Ministry of Foreign Affairs, Madrid, 21 May 1953. All the OEEC member countries were present at the transport conference (except Ireland and Iceland), together with the United States, Spain and Yugoslavia. The conference held three sessions during 1953: the first, 18-27 March, the second, 27 April to 9 May, and the third 9-17 June.

and that there was a need to seek collaboration from the OEEC. Spain appeared anxious to avoid any institutional link of the ECOAM to the OEEC, because it considered that a path similar to that of Transport Ministers was not feasible for agriculture. The Spanish perceived the danger of the IC "abandoning" its tasks to other bodies if they did not take a strong position.²⁰⁷ Fortunately for the Spanish, other countries' interests made it unnecessary to maintain a high profile on the question. The IC declared the matter to be outside its ministerial mandate and gave free rein to commodity discussions.

At the time of drafting the commodity reports, many countries found difficulty in defining their positions until it was clear which form of organisation would emerge. The British, Dutch and Swiss showed increasing unwillingness to continue a discussion which was leading nowhere near a genuine freeing of international trade. For them, the longer the initiative continued to discuss forms of crystalising protectionism, the more difficult it would become to abandon the whole scheme and some sort of high-cost club would emerge in the long term. On the other side stood those who considered trade preferential clauses as basic to the organisation of a European green pool. Since most of the proposals worked out by the experts were linked to the kind of institutional framework to be adopted, matters had reached the stage that before any further progress could be made, a decision was to be taken on the institutional question. The so-called sub-committee on general problems, set up at the IC's second meeting of July 1953, to study questions bearing on the relation of agriculture to the rest of the economy, dived fully into the institutional question in October. With the early exclusion of a high authority, the debate focussed on choosing between a fresh organisation or some sort of association with the OEEC.

The inter-governmental character and unanimity rule made the OEEC the best alternative for the Spanish Government. However, only an autonomous body could safeguard their specific need for a non-discriminatory arrangement. Therefore, the group willing to set up an *ad hoc* organisation recruited the Spanish Government, who had

²⁰⁷. MAE, Leg. 4612, exp. 16: Note to the Minister of Commerce from the Under-Secretary of Foreign Economy, "Reunión en París del Comité Interino de la Conferencia Europea sobre la Organización de Mercados Agrícolas", Madrid, 15 July 1953.

never considered which type of body should carry the policy proposals coming out from the economic experts. The only point that mattered was that the transfer of the Green Pool to any pre-existing organisation would place Spain in an inferior position to the other participating countries. Consequently, instructions to the delegation favoured an independent body with the maximum inter-governmental character possible, allowing for the participation of all member countries.²⁰⁸ That is, an imitation of the OEEC at smaller scale.

France headed the group, composed also of the Federal Republic of Germany, Austria, the BLEU countries and Turkey, which favoured a permanent *ad hoc* organisation.²⁰⁹ These countries argued that only the latter run by the Ministers of Agriculture could provide agricultural problems with the attention that they deserved. The French Cabinet found it difficult to go into reverse on an issue of this sort for two reasons. It required some-face-saving device to confront its increasing difficulties with farmers and to secure outlets for new planned export targets.²¹⁰ Since the commodity

²⁰⁸. MAE, Leg. 3445, exp. 20: Instructions to the Delegation to the 4th IC's meeting, January 1954.

²⁰⁹. The national positions referred to in this section of the chapter correspond to the attitudes adopted by the different delegations at the committee for general questions and at the IC's third meeting, 16-30 October 1953, as recorded in British documentary records; PRO, MAF 40/550: Telegram no. 524 and despatch no. 11714 from the UK Delegation to the OEEC, Paris, 16 July and 31 October, 1953, respectively, and Brief of discussion with Mr. Van der Leer and Mr. Bakker", 19 October 1953; CAB 134/1019: MAC(53)247, "Interim Committee of European Conference on Agricultural Markets (Relations between OEEC and Green Pool) Report by the U.K. Representative", 5 November 1953; and MAF 40/551: MAC(54)4, "Interim Committee of European Conference on Agricultural Markets. Note by Secretaries", 5 January 1954, Annex A "Note on work of the Green Pool", 31 December 1953.

²¹⁰. On the one hand, after July 1953, the FNSEA rallied against the failure to export to European markets and the French Government was progressively forced to give price guarantees to wheat producers and also pay reabsorption charges to wine and milk producers; see Gordon Wright: Rural Revolution In France. The Peasantry in the Twentieth Century, Stanford [Stanford University Press] 1964, pp. 122 ff. On the other hand, France needed to secure agreements to sell what the second national plan for modernisation was elaborating as new agricultural surpluses. The Planning Commissariat had proposed to the commissions in charge of drafting the second agricultural plan to consider the "working hypothesis" of a 20 percent increase of output and approximately Ff 130,000 million increase in the value of agricultural exports in 1957 with respect to 1952, of which Western Europe would absorb the largest part; AN, 80/AJ/54: Presidency of the Council, Commissariat Général du Plan, "Résumé du rapport général des commissions de la production agricole et de l'équipement rural", 5 October 1953. The export targets for 1957 were set at 2 million tons of wheat, 20 million hectolitres of milk, 250,000 tons of sugar and 200,000 tons of meat, at an estimated total value of Ff 230,000 millions; Commissariat au Plan: Deuxième plan de modernisation et d'équipement (1954-57). Projet de loi portant approbation, Paris, 1954.

experts had shown that the only guarantee of supply could be obtained through preferential agreements on a bilateral basis, the door had to be left open to Ministers to carry out certain restricted agreements.

An independent organisation allowing for the direct representation of Agricultural Ministers appeared necessary to maintain the specific interests of agricultural producers in their hands. The French were supported by the Belgians, who saw an excellent opportunity to maintain agricultural protection in these activities. The Turks naturally supported the idea of a European Wheat Agreement and hoped to obtain preferential prices for their cotton, tobacco and dried fruit. The Germans were most unlikely to go far in the direction of giving a preferential market to agricultural products, unless they got some *quid pro quo*. The pressure of farmers' organisations, which diminished during the period of commodity studies because they formed the technical teams, returned with the revival of the institutional question.

The United Kingdom headed those nations willing to transfer the agricultural talks into the OEEC. The British, who had maintained an observer status at the commodity committees, argued that it was difficult to treat agricultural problems and the marketing of particular products, in isolation from questions of commercial, tariff and payments policy. It was senseless to set up a new organisation merely to stimulate liberalisation of trade, which was properly the OEEC's duty. The latter was the inter-governmental body who could most appropriately and usefully discuss methods of increasing agricultural production and trade in Europe, including organised marketing arrangements. The British received support from Greece, Ireland, Norway, Portugal, Sweden, Switzerland and the Netherlands. Mansholt came to admit that a new seventeen-power organisation would prejudice the chance of progress being made on a six-power front. Furthermore, the Netherlands tried to avoid the creation of a protectionist and high cost club. The formulas worked out in the experts groups froze the levels of domestic protection instead of promoting free and unregulated trade. The British actively pursued the idea that economic cooperation should be gauged through the OEEC, when they realised that the benevolent attitude adopted towards Transport Ministers had led to independent action outside the ministerial control of the OEEC Council. The institutional question at the Conference of

Transport Ministers could be seen as a general rehearsal before the question became unavoidable in agriculture.

There was considerable discussion at the time about whether the transport conference should be convened *within* the OEEC, or *under the auspices* of the OEEC. In the normal course of events, the British would have tended to support the calling of the conference within the OEEC, but complications came with the proposal to invite Spain and Yugoslavia. The British allowed the ministerial conference to be convened outside the OEEC to avoid the political difficulties of calling a meeting within the OEEC which included Spain and Yugoslavia. They then rejected the integration of any new transport organisation within the OEEC, against the arguments of greater ministerial control and general economic considerations, to avoid undesirable reforms of the OEEC structures and any image of Yugoslavia and Spain being drawn into the OEEC.²¹¹ When the British decided to cut across the intentions of Ministers of Transport, the Spanish participation in the work of the Conference of Ministers of Transport was a fact that could not be reversed and which became a problem when determining the future transport organisation's degree of connection with the OEEC.²¹² The option of a European Conference of Ministers of Transport, with no legal power of decision, received overwhelming support at the final stage, over the alternative of meetings of the OEEC Council, at the level of Ministers of Transport, to which interested non-member countries would be invited. The latter alternative would have suited the British and several others best, but was faced by the difficulties raised by the association of Spain and Yugoslavia.²¹³

The point of interest is that the final report of the transport conference failed to

²¹¹. PRO, CAB 134/1014: MAC(53)10th meeting, "OEEC Conference on European Transport", 17 March 1953.

²¹². Ibid., MAC(53)18th, 19th and 20th meetings, "OEEC Conference on European [Inland] Transport", 23, 29 and 30 April 1953; FO 371/105900: Telegram no. 135, Ellis-Rees to FO, 29 April 1953.

²¹³. PRO, FO 371/105900: Telegram no. 449 from Ellis-Rees to FO, 20 June 1953, and CAB 134/1017: MAC(55)156, "The European Inland Transport Conference. (Personal Report)", by Brigadier Walters, 25 June 1953.

provide a strong tie with the OEEC.²¹⁴ There was no reference to mutual obligation of consultation between the ministerial conference and the OEEC. It was up to the ministerial conference to decide to consult the OEEC when transport questions raised general economic issues. Conversely, it was only "desirable" for the OEEC to refer transport problems to the conference. Ministers of Transport could meet as the OEEC Council when member governments so decided according to arrangements worked out between the conference, acting unanimously, and the OEEC.²¹⁵ The request for unanimity intended to determine the position of countries not members of the OEEC as regards decisions to be taken in such circumstances. The Spanish delegation wanted to avoid OEEC members of the conference meeting as the Council of the OEEC. The future transport conference was to maintain limited links with the OEEC. The pressure was then transferred to the national delegations to the OEEC to bring Ministers of Transport into line with the general policy of their respective governments.

The clarification of the OEEC's relations with Spain and Yugoslavia was necessary if the terms of reference bringing the conference into being should require mutually automatic consultation. The Governments of the aforementioned countries did not accept the OEEC discussing matters of their special interest and then sending them decisions for their acceptance or otherwise. If the attitude of the OEEC towards these two countries was restrictive, Spain and Yugoslavia could do their best in the future to see that as little as possible went from the conference to the OEEC. The more liberal the attitude adopted the greater the prospect of close association between the projected conference and the OEEC.²¹⁶

²¹⁴. "Relations could be established" with the OEEC, the report ran vaguely, "in view of its competence in the field of European economic co-operation." PRO, FO 371/105900: European Inland Transport Conference, Report to the Council of the OEEC and to the Governments represented at the Conference, 17 June 1953. Sub-paragraph 5 of section VI of the proposed rules of procedure for the future European Conference of Ministers of Transport.

²¹⁵. Sub-paragraph 5 of section VI of the proposed rules of procedure for the future European Conference of Ministers of Transport.

²¹⁶. PRO, CAB 134/1014: MAC(53)26, "OEEC Conference on European Inland Transport", 6 July 1953. According to British records, during July 1953, the Council was unable to define the relationship between the new conference and the OEEC. The French delegation impeded the OEEC in defining the relations between itself and the transport conference and thus, between the OEEC and Spain, with the argument that any action in advance of the constituent meeting of the transport conference, to be held in Brussels, 13-17 October 1953, could prejudice the issues involved. See PRO, FO 371/105901: "European

The British viewed the creation of limited bodies as a centrifugal force depriving the OEEC of its executive authority. The transport debate revealed a general malaise with the OEEC technical committees and the need to reconsider the structure to forestall similar developments in other spheres. The separatist course which Transport Ministers adopted, accelerated the consideration of the conditions under which the transfer of the ECOAM to the OEEC could be seriously considered by Ministers of Agriculture.²¹⁷ This would also counteract against the progressive detachment of agricultural experts from the general policies sustained by member countries in the OEEC.

Almost simultaneously, the British Ministry of Food and the delegation to the OEEC argued that for ECOAM, conversely to the transport conference, the OEEC solution required some structural reforms with the appearance of granting some special status to agriculture. Otherwise, it would imply losing the apparent autonomy Ministers had reached after much discussion and did not provide the form of face-saving measure needed to confront those farmers who distrusted the OEEC's practices. They recommended considering the following proposals for the OEEC reforms: 1. An annual meeting of Ministers of Food and Agriculture under the auspices of the OEEC; 2. a committee of deputies for Food and Agriculture taking instructions from and reporting to the Ministers' conference, as well as the Executive Council of the OEEC; 3. an enlarged and properly qualified Secretariat under a Director of Agriculture. This revision would

Inland Transport Conference. United Kingdom Record of Discussion in the Council on July 19"; telegrams no. 801, FO to UK delegation to OEEC, 20 July; ER(P)(53)6, UK record of discussion at the OEEC Council of 24 July; OEEC Document C(53)218, "Council Recommendation of the Establishment of a European Conference of Ministers of Transport adopted by the Conference at its 223rd meeting on 24 July, 1953"; Telegram no. 560 from Ellis-Rees to FO, 27 July; and "European Inland Transport Conference", memorandum by Ellis-Rees, 31 July.

²¹⁷. "The risk we have to guard against is that the Ministers of Agriculture may feel that OEEC is not sufficiently interested in their spatial problems and are likely to ask why they should not have an organisation of their own, like the Ministers of Transport." PRO, CAB 134/1017: MAC(53)174, Ministry of Food, "Green Pool and OEEC. Comments by the UK Representative on the Interim Committee", 31 July 1953. The Italian delegate incidentally referred to the transport conference as a "precedent", when the Spanish delegate complaint against abandoning the study of general problems to other organisations.

undermine the case for a special body for agricultural questions.²¹⁸ This meant recognition that the failure to give agriculture more prominence in the OEEC programme and the lack of interest shown towards suggestions that Ministers of Agriculture should meet in the OEEC, had encouraged the experiment of a separate organisation, which persisted even after a supranational authority was no longer acceptable.²¹⁹

Similar reforms were supported from within the OEEC, even by the Italian and German delegations to the OEEC.²²⁰ The OEEC should also make efforts to adapt its rules to avoid the more important drift of agriculture towards a separate organisation. This was not exclusively due to the fact that the combined independent action of Transport and Agricultural Ministers was perceived as initiating a process of disintegration of the OEEC. There was also long-term anxiety to restore the capacity to discuss European agricultural problems of the Food and Agricultural Committee.²²¹ Trade in agricultural products was in the limelight because of the efforts to eliminate import restrictions and to increase liberalisation involving a direct effect on agricultural produce, since liberalisation of agricultural products was far less advanced than others.²²²

²¹⁸. Ibid., and MAC(53)177, 12 August 1953, despatch no. 2 from Ellis-Rees to Marquess of Salisbury, 1 August 1953. Before the March 1952 meeting, MAD perceived the reactivation of OEEC in the agricultural field as weakening the British position because it would oblige them, as leaders of the Organisation, to make concessions which they would not otherwise allow. British balance of payments difficulties has made it very difficult to contemplate any further liberalisation.

²¹⁹. The Ministry of Agriculture and Fisheries warned that such an action could be embarrassing in the long run, since the British could be demanded to make high concessions in terms of liberalisation. Otherwise, they could appear "as saboteurs of a <<genuine>> effort" to find a solution to the difficulties of exporting countries; PRO, MAF 40/550: "Note for M.A.C. Meeting on Green Pool", n/s, n/d. It is important to know that the United Kingdom, had recently announced its intention to liberalise up to 75 per cent (once it had freedom under GATT to increase horticultural duties), so that pressure for increased liberalisation was not an immediate problem; PRO, CAB 134/1014: MAC(53)38, "Conference on the Organisation of Agricultural Markets in Europe - The Green Pool", 8 September 1953.

²²⁰. PRO, MAF 40/550: OEEC UK Delegation to MAD, Paris, 18 August 1953.

²²¹. The Food and Agricultural Committee of the OEEC had been most useful at the time of drafting the combined import programmes of member countries for the allocation of dollar aid and planning for increased production designed mainly to save dollars during the ERP period and to reduce dependence of Europe on imported foodstuffs from the dollar area.

²²². Robert Marjolin, the OEEC Secretary General, had already taken the initiative in proposing that the OEEC should work towards 100 per cent liberalisation. The progressive disappearance of payments difficulties in most countries (with the major exception of France), favoured this move. The Council of Ministers, in October 1953, decided to proceed to an examination

The fact that Spain was a member of the Green Pool and not a member of the OEEC slowed down the transfer because of the difficulty of associating Spain with the OEEC's work.²²³ The report to Transport Ministers had simply stated that some special arrangements between the two non-member governments and the OEEC should bring them into decisions taken by the members of the OEEC. The OEEC's legal advice office studied the form of liaison arrangement between Spain and the OEEC when consultation of the OEEC by the permanent conference on the economic aspects of transport problems took place. The three alternatives under consideration involved: 1. attendance of a Spanish representative at OEEC committees, including the Council; 2. the creation of a special liaison committee composed of representatives of some of the OEEC countries which would meet with Spanish representatives as necessary; and, 3. an arrangement between Spain and the Secretariat of the OEEC, whereby the latter would keep the Spanish informed of the work done in such cases and obtain their comments before the OEEC decided on its final reply to the conference.²²⁴

The first course was obviously the most efficient means of considering Spanish

of the reasons, other than those of balance of payments, for which countries wished to continue to protect certain products with quantitative restrictions and State trade, the so-called negative lists. A year later, however, most OEEC countries failed to reach the minimum of 75 per cent for each sector despite the fact that some countries (Germany, the Netherlands, Italy, Greece, Portugal, Sweden and Switzerland) had either reached or surpassed the 90 per cent liberalisation level on intra-European private trade expected to be reached by the beginning of 1955 and some (Austria, Denmark, Ireland, Norway and the United Kingdom) were somewhere between 75 and 80 per cent. Agricultural products were at the percentage level of 71.6 per cent (on average), against 83 per cent on raw materials and 73.6 per cent for manufactured goods. France reached 50 per cent its overall percentage while Iceland and Turkey suspended all liberalisation; AGA, C/36869: "Situación de la liberalización de los intercambios de los países de la OECE", Madrid, 24 September 1954. State trade represented 20 per cent in agriculture against 1 per cent in manufactured goods and 7 per cent in raw materials; AGA, C/36625: Manuel Thomas de Carranza to Rajal, Paris, 14 July 1954.

²²³. PRO, MAF 40/550: Despatch no. 11714 from the OEEC UK Delegation to MAD, 18 August 1953.

²²⁴. PRO, FO 371/105902: "Rôle de l'O.E.C.E. en matière de transports intérieurs européens. Position de l'Espagne et de la Yougoslavie", by Pierre Huet, OEEC Legal Adviser, Paris 19 August 1953. Despite the numerous references to the importance of taking Spanish and Yugoslav susceptibilities fully into account in any arrangement between the transport conference and the OEEC, no delegation put forward any concrete proposition as to the best way of achieving this. At the end of July, Ellis-Rees reported that he "intended to approach" the Spanish and Yugoslav Governments to ascertain their views; PRO, FO 371/105901: ER(P) (53) 6, OEEC UK Delegation, "European Inland Transport Conference. Council: July 24, 1953. U.K. Record of Discussion", Paris, 28 July 1953.

views. It implied, however, a degree of association with the OEEC unacceptable to some countries, including the British.²²⁵ The third was the one most likely to prove generally acceptable among member-countries, since it was the easiest to follow. The middle course of a special liaison body was most satisfactory to the Spanish Government and proved generally acceptable to OEEC members.²²⁶ Indeed, if the representatives of Spain were to join their French and Dutch colleagues, they might well have succeeded in preventing the establishment of a mandatory code of consultation or a defined relationship between the conference and the OEEC.

A broad Franco-British agreement on basic matters allowed the Brussels meeting to proceed with no surprise. All delegations, including the Spanish, supported the consultative relationship with the OEEC.²²⁷ The Transport Ministers of Austria, Belgium, Denmark, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the Free Territory of Trieste, Turkey and the United Kingdom drew up and called for signature of the text of a protocol setting up a *European Conference of Ministers of Transport (ECMT)*.²²⁸ When the conference or a restricted group, by unanimous agreement, transmitted its conclusions to any international organisation competent to take decisions, Spain was to notify the conference of its intention to act as though it were bound by that decision.²²⁹ Concerning the specific case of the OEEC, Spain worked out a liaison committee with the OEEC where those economic problems arising from the ECMT, in fact for all matters

²²⁵. PRO, FO 371/105902: Intel no. 161, "European Inland Transport", 14 September 1953.

²²⁶. Ibid., OEEC UK Delegation to MAD, Paris, 29 August 1953; CAB 134/1017: MAC(53)191, 4 September 1953; and CAB 134/1018: MAC(53)211(Rev.), "European Inland Transport. Note by FO", 10 October 1953.

²²⁷. PRO, FO 371/105905: UK Delegation to the OEEC, "Note on Negotiations in Paris on the Transport Conference", Paris, 13 October 1953; and "Report on the European Conference of Ministers of Transport held at Brussels from 12th to 17th October, 1953".

²²⁸. Conférence Européenne des Ministres des Transports: Acte final. Protocole. Règlement intérieur. Résolutions, Brussels, 17 October 1953. Yugoslavia was not represented, although it had been represented at the European Inland Transport Conference in Paris during the Summer. Neither Austria nor Greece signed the Protocol. The Protocol was signed on behalf of the Spanish Government by Vallellano and was finally ratified on 1 January 1954 by a decision of the Council of Ministers.

²²⁹. Sub-paragraphs (c) and (d) of article 9 of the ECMT Protocol.

interesting Spain from the transport viewpoint, were discussed.

Once the special role of the OEEC in the transport field was preserved, the British, from the Chair of the Organisation, tried to find a workable arrangement for the transfer of the Green Pool to the OEEC. The British offer to reactivate the agricultural discussions within the OEEC intended to break the reticence of some countries, most particularly, Denmark and Italy. Denmark's idea was of a fresh organisation within which Governments would try to negotiate schemes for increased liberalisation and, perhaps, a gradual reduction of tariff barriers. Despite the fact that the British did not consider the latter aspect, Denmark joined the club. The commodity groups showed that it was not necessarily true that only a European Agricultural Community (of an inter-governmental character) outside the OEEC provided a real prospect of making progress towards liberalising trade and that paying more for imported wheat did not imply disposing of wider markets in Germany and France for their livestock products.²³⁰ The Italian position favoured the idea of a fresh seventeen-power organisation which they hoped would be more successful than the OEEC in assisting them in finding markets for their surplus fruit and vegetables. Once Fanfani, a strong supporter of the Green Pool, was out of office, the Italian delegation deserted the Franco-German bloc which made a decisive change in the IC, but continued to be reluctant to become active members of the OEEC club. Only a revised OEEC appeared to promise better possibilities for fruit and vegetables exports.

The two groups remained in confrontation at the IC's 4th meeting, 13-16 January 1954. It is interesting to notice that those promoting an association with the OEEC had not yet presented how they intended to do so. The French Ministry of Agriculture proposed a fresh organisation of a classic intergovernmental character with power to adopt decisions by unanimity "si elles sont de nature à engager la politique agricole des pays participants".²³¹ Italy suggested an autonomous organism within the OEEC with a

²³⁰. AD, DE-CE, vol. 370: The French Ambassador to George Bidault, Minister of Foreign Affairs, Copenhagen, 6 November 1953.

²³¹. "Définition de la position de la délégation française à la prochaine session du Comité intérimaire", quoted in AD, <<Pool Vert>>: DG of Economic and Financial Affairs, "Note pour le Cabinet du Ministre", 11 January 1954.

ministerial council with a unanimity rule, in which Spain should be represented with "absolute equality". The Swiss delegation suggested following a path similar to the one already established for transport, though with better defined links to the OEEC than ECMT, which worked a similar arrangement for Spain. Most of the participating countries leaned towards transfer to the OEEC, but those reticent delegations still pressed for an independent organisation. The division of opinions on the institutional matter was so significant that the agreement was left to Ministers.²³²

The United Kingdom intended to reach a definitive agreement within the OEEC, so the Governments of those countries particularly opposed to the OEEC solution could bring their Agricultural Ministers back in line.²³³ The provisions for restricted agreements and for the Spanish association paved the way with difficulties. The OEEC's rules of procedure allowed any country to cripple any restricted agreement, even if it were acceptable to the majority.²³⁴ Therefore, the French demanded an extensive use of "special cases" from the unanimity rule.²³⁵ The constitution of some multilateral agreement (i.e., the European Wheat Agreement) did not seem very problematic if the French could interest other countries.²³⁶ The problem resided in applying preference

²³². MAE, Leg. 3445, exp. 20: "Nota informativa sobre la reunión de la cuarta sesión del Comité Interino de la Conferencia Europea sobre la Organización de Mercados Agrícolas", the head of the Spanish Delegation to the IC to Argüelles, Paris, 21 January 1954.

²³³. At the meeting of the IC on 26-30 October 1953, it was decided to approach the OEEC with a view to agreeing to a method of collaboration on problems which were beyond the competence of agricultural experts. This was the first real opportunity to influence the Green Pool talks directly and officially from within OEEC; PRO, MAF 40/550: "Green Pool", the OEEC UK Delegation to MAD, Paris, 31 October 1953; and CAB 134/1019: MAC(53)247, "Interim Committee of European Conference on Agricultural Markets (Relations between OEEC and Green Pool) Report by the U.K. Representative", 5 November.

²³⁴. Article 14 of the Convention setting up the OEEC reads: "Unless the Organisation otherwise agrees for special cases, decisions shall be taken by mutual agreement of all Members. The abstention of any Members declaring themselves not to be interested in the subject under discussion shall not invalidate decisions, which shall be binding for the other Members."

²³⁵. PRO, FO 371/111239: "Note on Regional or Restricted Groups and Article 14 of the Convention for the Organisation of European Economic Cooperation", attached to despatch from the OEEC UK Delegation to FO, Paris, 1 January 1954; and AD, <<Pool Vert>>: Note for the minister, cit., 11 January 1954.

²³⁶. The group of experts on cereals, chaired by Pierre Hallé, who represented French wheat producers on the FNSEA, had obtained a basic agreement to sell at least 400,000 tons of wheat to the Germans. The German representation to the conference, presided over by Andreas Hermes, the head of the German Union of Farmers, agreed because European wheat would help to keep wheat prices above the world market level to assure high incomes for

over a wide range of products. We saw how the increasing schizophrenia reached at the working parties led most of the delegations to accept special European prices and some degree of preference in return for suitable concessions in the products they were interested on. In these circumstances, the emphasis was laid on the importance of compensatory transactions in order to provide a *quid pro quo* for those countries importing agricultural products at preferential prices. This also required, in the form of compensation, to provide preferential treatment for industrial exports of importing countries. How could these plans be expected to be brought into effect by the OEEC in consideration of a "special case", without encountering the range of Ministers of Finance and Economic Affairs?²³⁷ In principle, a preferential market system for agricultural products was not consistent with the policy of the OEEC, which aimed to encourage economic growth on a competitive basis leading towards dollar convertibility and non-discrimination towards imports from the outside world. "The result of this might be a return to bilateralism."²³⁸

farmers. The German delegation also accepted some price preference in exchange for compensation in other fields (i.e., industrial products). This ran against the position of the Federal Minister of the Economy, who insisted in bringing wheat prices down by purchasing on the cheapest markets available (including the dollar area) and selective expansion of production, without preferences or compensation, in the context of progress towards world-wide multilateral trade and convertibility.

²³⁷. The negotiations in the transport field showed the difficulty to dispense with restricted agreements, as the French had suggested; PRO, CAB 134/1014: MAC(53)19th, 20th & 22th meetings, "OEEC Conference on European [Inland] Transport", 29-30 April and 22 May 1953, respectively. The conference's final report implied that the future organisation would have no power to take decisions binding on all member governments but could exclusively make recommendation; PRO, FO 371/105900: European Inland Transport Conference, Report to the Council of the OEEC and to the Governments represented at the Conference, 17 June 1953. In cases requiring an international agreement, "such an agreement could not be concluded within the Conference of Ministers, in the event of opposition by one or more Member countries." Sub-paragraph b.2 of section V of the proposed rules of procedure of the future European Conference of Ministers of Transport.

²³⁸. As Lloyd explained to Rabot and Malecot, the French Chairman of the IC and the Head of the French Delegation to the Green Pool, respectively; PRO, MAF 40/551: "Note on discussion with Messrs. Malecot and Rabot on Friday, February 19 concerning the Green Pool", by the British Delegation to the OEEC, Paris, 22 February 1954. British strong opposition to "special agreements" might also have been due to the likelihood that any preference for European produce given by Western Germany (the only other substantial importing country in Western Europe) was likely to be compensated by preference of some kind for industrial goods to the detriment of United Kingdom goods. The action programme proposed by Sir Hugh Ellis-Rees disregarded restricted agreements; PRO, MAF 40/551: "Draft Paper by the Chairman of the Council on the work of the OEEC on Agriculture", attached to despatch no. 11708/54, OEEC UK Delegation to FO, Paris, 5 April 1954. The question was left to the goodwill of countries whose vital interests were not concerned, who would abstain if a group of countries wished to operate

The second problem for the transfer of the activities of ECOAM to the OEEC was the association of Spain with the agricultural work of the OEEC. It was necessary to find a solution not involving an inferior position in deliberations at the "political level" of the OEEC Council, otherwise unacceptable to the Spanish, before anyone could regard it as an impediment to following the British path.²³⁹ Fortunately for Spain, the British accepted paying the price for the sake of securing a proper and clearly-defined link with the OEEC. The British recognised that the reactivation of the OEEC's agricultural activities and discussions on agricultural matters at ministerial meetings did not necessarily "entail the exclusion of Spain."²⁴⁰ The establishment of a liaison committee, as was the case for inland transport, was immediately rejected by the British as falling short of what was required for agricultural matters.²⁴¹ By March 1954, the most viable solution appeared to be observer status to the OEEC as a whole.²⁴² This was a misunderstanding of the Spanish position and was caused by the fear that Spanish discontent could lead them to veto the transfer. The Spanish, convinced of the inevitability of the OEEC solution, were thinking along liaison lines, to allow Spain to participate in the agricultural discussions but without committing them to any obligation.²⁴³

Having reached this point, it seems necessary to explain that the question of Spanish membership of the OEEC was also considered. The question arose to the British with the first indications of the Spanish Government's apparent interest in becoming a full member of the OEEC.²⁴⁴ This was an anticipated move to the possibility that a correct

an agreement among themselves.

²³⁹. PRO, MAF 83/3391: "Record of Conversation", by the UK Delegation to OEEC, Paris, 18 January 1954.

²⁴⁰. PRO, MAF 40/550: 9th meeting of UNISCAN, "Brief for discussion of the Green Pool", October 1953.

²⁴¹. PRO, FO 371/111308: FO to British Embassy in Madrid, 12 February 1954.

²⁴². PRO, CAB 134/1021: MAC(54)42, draft of a despatch to Ellis-Rees, setting out the official British attitude to the granting of observer status to Spain in the OEEC.

²⁴³. MAE, Leg. 3445, exp. 24: "Pool Verde. Consideraciones sobre los trabajos realizados hasta el momento presente y sobre la posición española en la próxima reunión de Ministros de Agricultura", 15 February 1954.

²⁴⁴. Argüelles indicated to Ellis-Rees that at any rate the Spanish Ministry of Foreign Affairs wanted to pursue the idea of securing Spain's entry into OEEC; PRO, FO 371/106047: Note of an interview with Argüelles, by Ellis-Rees, Paris, 11 September 1953. During the course of the ECMT constituent session, the leader of the Spanish delegation at the deputy level, Cortina,

solution of the transport or agricultural conferences required Spanish OEEC membership. The point of departure was the stated policy not to take the lead in promoting any relation between Spain and the OEEC.²⁴⁵ A first consideration could be limited to the domestic level. The direct cost of Spanish membership of the OEEC was very reduced for the United Kingdom (as for Germany), who extended their own liberalisation measures to Spain automatically.²⁴⁶ The Economic Relations and Western and Southern Departments concluded that "there might be positive economic advantage in such membership" (provided that Spain undertook to carry out fully the obligations of membership).²⁴⁷ The Board of Trade and the Treasury affirmed that Spain's OEEC membership would do little, however, to solve part of the then existing trade problems with Spain, i.e., the make the latter respect its bilateral obligations, which caused hardship and distress to British industry. It was likely that Spain would have been unable to liberalise very far in the minimum 75 percent liberalisation for a long time. In that event, Spain's free lists would have contained an insignificant number of those goods which accounted for the greater part of everyone's difficulties with the Spanish authorities. In this case, apart from whatever liberalisation measures the Spanish authorities might have taken, they would have continued to trade with the other OEEC member countries on a bilateral basis and not necessarily have adopted a system of global quotas for imports from the EPU area of goods in the non-liberalised sector.²⁴⁸

With regard to the effect of Spanish membership on the OEEC as a whole, serious disadvantages were perceived to come from the structural character of Spanish foreign trade. Spain was likely to prove a structural debtor in the European Payments Union (henceforth, EPU) and, therefore, retard the liberalisation programme and be an incentive

Director General of International Organisations at the Spanish Ministry of Foreign Affairs, told the British representative that the Spanish Government wished to join OEEC; indication confirmed by the Portuguese Minister of Transport; PRO, FO 371/105905: "Report on the European Conference of Ministers of Transport held at Brussels from 12th to 17th October, 1953".

²⁴⁵. PRO, FO 371/105902: Intel no. 161, "European Inland Transport", 14 September 1953.

²⁴⁶. As we have seen in chapter five, very rarely did the British exclude Spanish export commodities from Open General Licence and the Germans extended an ample OEEC treatment to Spain.

²⁴⁷. PRO, FO 371/106047: "Spain and the OEEC", 28 October 1953.

²⁴⁸. Ibid., BT and T to FO, 16 November and 11 December 1953, respectively.

to everybody else to maintain resistance to further liberalisation.²⁴⁹ Spain's EPU membership, which would necessarily follow from membership of the OEEC, was only possible if in the sort of position of Iceland, Greece and Turkey of complete suspension of all liberalisation measures (by October 1953).²⁵⁰ The change brought about in the Spanish balance of payments with the EPU area, moving from a deficit of \$25.7 million in 1952 to a surplus of \$14.7 million in 1953, was not due to an improvement in the export performance at all, but to a policy of restricting imports and other foreign expenditure (see table 7.5). Thus to avoid running into debt in EPU, Spain would have to maintain its trading policies unchanged, particularly bilateral bargaining. Membership of EPU would have deprived the Spanish authorities of their argument for discrimination, namely, the lack of a given country's currency.

Little possible mitigation was provided by the provision of special American assistance in meeting future Spanish deficits, since all economic aid was generally coming to an end as a technique of providing dollars in the non-dollar world.²⁵¹ The addition

²⁴⁹. In October 1953, the OEEC Council had endorsed the objective of a 100 percent liberalisation of private trade on the 1948 basis in the near future. When at the end of October 1953, the OEEC Council asked the member countries to provide information in order to draft a "negative list" of the products that, although presenting no problems from balance-of-payments point of view, countries were not willing to liberalise. The French authorities refused to consign it, but they announced that from April 1954, France would re-liberalise imports. A proposal by Marjolin to implement the 100 percent liberalisation on private trade on 1 April 1954, was blocked by the United Kingdom and France. The latter was only willing to liberalise then 52 per cent of 1948 private imports; AD, DE-CE, vol. 353: French delegation to OEEC Secretary General, Robert Marjolin, Paris, 15 April 1954. Only measures to control de-liberalisation were agreed. A country which de-liberalise had to increase its liberalisation percentage after one year to 60 per cent and after eighteen months to 75 per cent; Boyer and Sallé, art. cit., p. 209. The EPU and the Steering Board of Trade, however, could invalidate this new measures if the position of a given country made it necessary. In November 1954, after imposing new customs duties on liberalised commodities, the French liberalisation percentage reached the 65 percent. It was not until January 1955 that the French authorities felt sufficiently confident to bring the percentage of liberalisation back to the level of February 1952.

²⁵⁰. By October 1953, Austria maintained a total percentage of 35.8 and the United Kingdom 58.5. France had not re-liberalised at all yet. The total OEEC liberalisation percentage was 70.4 (61.1 corresponding to agricultural commodities, 73.9 to raw materials, and 71.3 to manufactured goods); J.M.J. Clerx: Nederland en de liberalisatie van het handels- en betalingsverkeer (1945-1958), Groningen [Wolters Noordhoff] 1987, table on p. 152. I would like to thank to Arendjan Boekeslyn for bringing to my attention this table.

²⁵¹. This was a general European pattern. Conversely to the Marshall Plan period, economic aid was no longer a priority. Already during 1953, United States military aid surpassed economic aid to Europe. In 1954 the 1951 ratio economic/military aid was completely reversed, total economic aid to Europe

of a further structural debtor would complicate still more the problems connected with providing credit in Europe to the inconvertible countries in the event of the stronger members becoming convertible. In these circumstances, the effect of the Spanish joining the OEEC and the EPU would have been reduced, at best, to subject them to the usual (ineffective) pressure from the OEEC to bring their economy into a state in which they could fulfil the obligations of membership. At this point, it was difficult for the OEEC to exercise guardianship over a country, whose authorities were considered incapable of managing any liberalisation, while other forms of observer status could accomplish the same objective and yet avoid the debate.²⁵²

TABLE 7.5
SPAIN'S BALANCE OF PAYMENTS WITH THE OEEC COUNTRIES, 1952-1953
(in dollars)

	1952	1953
IMPORTS c.i.f.	313,375,651 (338.5 m.)	290,811,630 (377.6 m.)
OTHER EXPENSES	54,917,489	51,787,255
TOTAL EXPENDITURE	368,293,140	342,598,885
EXPORTS f.o.b.	275,871,362 (289.0 m.)	268,839,795 (307.3 m.)
OTHER RETURNS	55,767,441	79,629,085
TRADE CREDITS	8,600,000	8,800,000
TOTAL RECEIPTS	340,238,803	357,268,880
BALANCE	- 28,054,337	+ 14,669,995

Source: AGA, C/36622: OEEC, C/WP11/W(56)15, "Working Party No. 11 of the Council. Association of Spain in the work of the Organisation. Balance of Payments with Member Countries in 1952, 1953 and 1955", Paris, 6 June 1956. Spain refers to metropolitan Spain, the Balearic and Canary Islands, Ceuta and Melilla. The value of imports and exports of this table differs from the official Spanish foreign trade statistics: imports suffered from an average 23 percent overvaluation while it was 28 per cent for exports; by years, the overvaluation was 33 per cent in 1952 and 18.5 per cent in 1953. Figures in parenthesis correspond to imports and exports to the EPU area (OEEC countries + their monetary areas) according to the statistical yearbooks of Spanish foreign trade.

Whether the balance of advantage on economic grounds was in favour of Spanish

dropped by half in relation to 1953, and economic assistance to Austria, Ireland, Portugal, the BLEU and the Scandinavian countries, had disappeared. During 1955, total economic aid to Western Europe, including Yugoslavia, had been reduced to a mere \$466.4 million (compared to the \$6,276 million of 1949); U.S. Foreign Assistance, cit., pp. 8-25.

²⁵². The FO had reached the conclusion that "if sufficient members of OEEC were to support an application by Spain for membership of OEEC", it should not be opposed on political grounds; PRO, CAB 134/1019: MAC(53)271, "Spain and the OEEC. Note by the FO", 22 December 1953.

membership and whether there was strong opposition within the OEEC, were less important factors than whether the Spanish Government was ready and prepared to carry out the obligations of OEEC membership. Despite the Spanish representatives' indications mentioned before, Spanish OEEC membership was not officially considered by the Spanish Government, who made no formal move. The latter referred exclusively to liaison arrangements in transport and agricultural matters to move closely into the OEEC's orbit, without necessarily going as far as membership. A month after the constitution of the ECMT, Cortina asked the OEEC Deputy Secretary General, Colonna, whether the time had come for Spain to send an observer to the OEEC (not forecast in the transport protocol), though he did not mention the possibility of Spain joining the organisation.²³³ Observer status had more political and propaganda value to the Spanish regime than economic significance and did not presage any intention of full membership. There was little doubt that the Spanish Government would have found it difficult to comply with the discipline involved in full membership (entailing a radical modification of their basic trading policy, a corner stone of which was the multiple exchange rate).

In terms of trade liberalisation, no move would have been undertaken until sufficient financial backing had been effectively provided by the United States authorities. Concerning the exchange rate practices, John Balfour, the British Ambassador in Madrid, reported that Arburúa, the Spanish Minister for Commerce, stated repeatedly that it was premature to talk about a unified exchange rate.²³⁴ Indeed, an indication that the system remained dear to the heart of the Spanish authorities was its extension in order to assist Spanish dollar-earning capacity. In these circumstances, the question of Spanish OEEC membership did not reappear until the Green Pool was definitively transferred to the OEEC.

The second ministerial conference, 6-10 July 1954, provided a solution to the institutional question. The Spanish delegation was instructed not to strongly oppose the

²³³. ASMAE, DGAP, b. no. 256: Cortina to Colonna, Madrid, 21 November 1953.

²³⁴. PRO, CAB 34/1021: MAC(54)29, Despatch no. 30 to Anthony Eden, Foreign Secretary, on Spain's attitude towards OEEC, 4 February 1954.

OEEC option, in case this solution was imposed.²⁵⁵ In fact, this was the compromise reached after some struggle among delegations. Countries could bind themselves within the framework of the OEEC by special agreements "insofar as they are not in contradiction with existing international commitments".²⁵⁶ Spain accepted the transfer conditions once it obtained assurances that it *could take part fully on an equal footing* with OEEC countries in the agricultural bodies.²⁵⁷ A satisfactory solution to both questions, restricted agreements and the Spanish request for a special non-discriminatory arrangement, had been necessary to reach the required unanimity.

A ministerial resolution articulated the conditions that the OEEC should meet for the transfer of agricultural talks. The OEEC Council should meet twice a year with the Ministers of Agriculture holding the national chair. A Ministerial Committee for Agriculture and Food should directly report to the Council of Ministers, helped to carry out its tasks by a permanent Committee of Deputies, taking instructions from and reporting to the Ministers, and an enlarged and properly qualified Secretariat under a Director of Agriculture, who would, of course, be subordinated in status to the Secretary General of the OEEC. The final point of the resolution mentioned that Spain should

²⁵⁵. MAE, Leg. 3445, exp. 24: "Reunión Pool Verde 6 Julio 1954. Proyecto de Instrucciones sobre el aspecto institucional", Madrid, 22 June 1954. Position made perfectly clear by Cavestany; PRO, MAF 40/552: Ag.Conf./45, "Déclaration de M. Cavestany, Ministre de l'Agriculture, Chef de la Délégation de l'Espagne", 6 July 1954. On the other hand, preliminary conversations were offered by Portugal back in June for a joint defence of agricultural bodies within OEEC based upon unanimity; *ibid*, Despatch no. 486 from Spanish Embassy in Lisbon, "Próxima conferencia 'Pool Verde'", 2 June, 1954.

²⁵⁶. For a detailed account of the immense difficulty to reach this compromise between French and British see PRO, MAF 83/3392: MAC(54)148, "Report on the last European Conference on the organisation of agricultural markets", 19 July 1954. The British, Dutch and Danish delegations said that they interpreted this last sentence to mean that if the Ministerial Committee on Food and Agriculture could not reach unanimity when considering agreements of the kind under discussion the matter would be referred to the Council where any country was free to use its veto. The compromise could be reached because before the ministerial conference the Quai d'Orsay had decided to "liquider [...] une entreprise qui n'a pas réussi"; AD, <<Pool Vert>>: DG of Economic and Financial Affairs, Economic Cooperation Office, "Note: Transfer du pool vert à l'OEEC", 24 June 1954.

²⁵⁷. "Spain should take a full part in the work of the organs concerned with agriculture envisaged in the preceding paragraphs." AGA, A/6814: OEEC C(54)326, Annex II, "Projet d'Accord entre l'OEEC et le Gouvernement Espagnol relatif à la participation de l'Espagne aux travaux de l'Organisation intéressant l'agriculture et l'alimentation", Paris, 10 July 1954.

participate fully in these bodies and also participate (but not fully) in the work of other OEEC committees when these were dealing with questions which might affect food and agriculture.²⁵⁸ The resolution was a unit which the OEEC should accept or reject totally. The establishment of a direct link between the creation of *ad hoc* bodies allowing for the Green Pool transfer to the OEEC and the Spanish question proved useful for Spain. It meant that a possible veto (probably from Belgium or the Scandinavian countries) would imply the French Minister of Agriculture calling a new meeting. This would have been opposed particularly by those willing to close the affair and leave the ECOAM tied up within the OEEC.

The question of Spanish participation in the new agricultural bodies was a matter of negotiation between Spain and the OEEC and a general agreement concerning the complete resolution should be reached between an ECOAM Commission and the OEEC's Committee of Eight.²⁵⁹ It was up to the OEEC to solve the Spanish question, which would only come to the ECOAM Commission when a formula had been agreed upon. The *ministerial resolution implied the need to design a new participating system to fit the specificity of the Spanish case, i.e., making the granting of full rights compatible with Spain's status of non-OEEC member. Before the actual negotiations, scheduled for September, started between Spain the Group of Eight, the Spanish rushed to make up their minds. They thought the resolution meant that when a matter, due to its general economic nature, was passed for decision to the OEEC Council of Ministers, that Spain should take part at the deliberating process at the Council of Ministers of the OEEC although without vote and veto. According to this position, any resolution so adopted was to be studied at the Council of Ministers in Madrid who unilaterally would decide whether to accept it, defer its application or reject it altogether, that is, the "Spanish right to veto".*²⁶⁰

²⁵⁸. PRO, MAF, 83/3392: "Resolution of the Conference", 12 July 1954.

²⁵⁹. The Commission was composed of representatives from Italy, France, the Netherlands and Spain. The OEEC Committee was a working party instructed to keep under review the relations of the OEEC with other organisations concerned with European economic cooperation and composed of delegates from the United Kingdom, France, Germany, Italy, the Netherlands, Switzerland, Turkey and Sweden.

²⁶⁰. This position was known as the Cortina formula, named after its proponent; see summary in MAE, Leg. 10078, exp. 21: Antonio Mosquera y Losada, Commercial Counselor at the Spanish Embassy in Paris, to Argüelles, Paris, 6 August 1954; and Argüelles to Mosquera, Madrid, 10 August 1954.

Argüelles did not like the idea of Spain having neither a vote nor a veto, which difficulty placed it on an equal footing. For him, the right position was that of full membership, including a voice and veto at the Council, while discussing agricultural matters.²⁶¹ The Under-Secretary mistook the target of promoting a full-scale discussion about the advantages of Spanish OEEC membership, because the OEEC was able to fulfill his Government's political exigencies without requiring any economic counterpart.

The Spanish question was part of the ministerial resolution and thus constituted a condition for the transfer of the work of the Green Pool to the OEEC. A majority of the OEEC delegations argued strongly in favour of the closest possible association of Spain with the agricultural work of the OEEC. From the initial debate, it was clear that any formula envisaged would, in practice, mean that the Spanish representatives would have full rights in the agricultural committees and extensive facilities to attend meetings as observers in other parts of the organisation when agriculture had some bearing on the discussion. No clear indication of how to articulate this was provided, because their major effort was directed to placate the Belgian representative's claim that no decision should be taken regarding Spain until the transfer of the Green Pool had been completed and that *no change in the relationship between Spain and the OEEC should take place*.²⁶² Since a formal commitment existed to grant Spain full membership to the Ministerial Committee and the Committee of Deputies, the discussion centred on whether the Spanish should enjoy any automatic rights as to participation in the non-agricultural bodies of the Organisation when agricultural questions are involved. In the case of the Council, everybody agreed, including the Spanish, that Spain should participate in the discussions on agricultural questions at the Council level but the Spanish delegate would not, of

This was the formula finally accepted.

²⁶¹. Ibid, "Notas relativas a la posición española en relación con la propuesta de integración en la OECE de los trabajos de la Conferencia Europea de Organización de los Mercados Agrícolas (Pool Verde)", by Argüelles, Madrid, 3 September 1954.

²⁶². PRO, MAF 83/3392: ER(P) (54)17, UK Delegation to OEEC, "Green Pool", 17 September 1954. The Belgian position came as a surprise. As far as I know, no major economic problems existed between the two governments. The only difficulties concerned the Barcelona Traction Company in which Belgium had a substantial interest and to which the Belgian Minister of Foreign Affairs, Paul Henri Spaak, had been a legal adviser, but this hardly justifies the Belgian attitude.

course, be able either to veto Council decisions or to participate in them.²⁶³ A procedure could easily be worked out under which Spain could, if it so desired, accede to a Council decision. The main problem was thus, how to associate Spain with the work of other bodies of the OEEC. It emerged that Spanish participation in the agricultural work of the OEEC became the principal remaining difficulty.

It was essential to resolve the Belgian difficulty and the Spanish exigency on the procedure for association to non-agricultural committees. Both countries, from their respective positions in the OEEC Council and ECOAM Commission, could easily abort the transfer to the OEEC if the agreement fell short of their expectations. The Swiss representative suggested drawing up a list of specific subjects with the idea that the Spanish would only be invited to attend meetings of non-agricultural committees when items on this list were under discussion. Colonna put forward the possibility of a group of three (Chairmen of the Council and the Executive Committee and the Secretary General) looking at the agendas of various committees with a view to inviting Spain to attend when agricultural items were being discussed.²⁶⁴ The Scandinavians proposed some form of liaison committee, which was open to a number of practical objections by a majority of delegations. The British worked out an observer status vis-à-vis the OEEC as a whole, which the Portuguese delegate was charged to defend, by which Spain could send observers to any meetings of the committees concerned without specification.²⁶⁵

²⁶³. Argüelles agreed that full action at the Council level (when agricultural questions were discussed) was impossible for non-full members; PRO, MAF 40/558: Ellis-Rees to Coulson, "Spain and the OEEC", Paris, 20 October 1954. The existing contradiction between this attitude and the one he adopted in September might be due to the fact that in Spain, as section 7.5.2 will show, Argüelles intended to force the debate about Spanish membership of OEEC. At its meetings on 14 September, the Group of Eight had agreed to all the institutional requirements which appeared on the resolution of 10 July of the European Conference on the Organisation of Agricultural Markets. In fact, it had agreed practically to all the measures put forward to give effect to the Green Pool transfer to OEEC. The fact that the French Assembly rejected the EDC Treaty, on 30 August 1954, might have helped to speed up the general agreement to end this already irritating negotiation.

²⁶⁴. Ibid., "Record of conversation", 20 September 1954.

²⁶⁵. Ibid., despatches from the OEEC UK Delegation to MAD, dated 21 and 22 September and 5 and 6 October; and FO to UK Delegation to OEEC, 2 October 1954. The despatch of 5 October to be found in FO 371/111308. The only restriction referred to those committees already restricted in membership, such as the Executive Committee, the Managing Board of the EPU, the Steering Board for Trade and the Overseas Territories Committee, which were not open to some full members of the OEEC.

Conferring a broad right of entry as observers to any OEEC Committee went beyond what was necessary to comply with the ministerial resolution. The Belgians reacted with what they called "an agricultural approach" formula, whereby Spain would be permitted to send observers to meetings of the Council and of a specified list of committees when they were dealing with "agricultural or connected questions". Spanish attendance at other technical committees was not overruled but was subject to specific invitation and was considered an exception to the rule that Spain should have no access to the restricted bodies.²⁶⁶ Although the Belgian formula was not as satisfactory as the one advocated by the British, it was acceptable for the Spanish authorities, because oral word was given that there would not be a rigid interpretation so that the Spanish were left to decide in what cases (including general discussions and not exclusively discussions on specifically agricultural questions) they would attend meetings.²⁶⁷

Once Heads of Delegations reached an informal agreement, the arrangements for the participation of Spain in the work of the OEEC were examined with Argüelles and Escoriaza (on 29 November).²⁶⁸ The OEEC negotiating team was composed of Ellis-Rees, Cattani and Colonna. The Spanish representatives raised three formal points, which could have been interpreted as giving Spain a position of inferiority. The OEEC team, which was not anxious to take the proposal back to the Council for a new discussion, clarified these points to the satisfaction of the Spanish or merely agreed to their modification. There were no major points involved.²⁶⁹ Spanish membership of the agricultural committees was announced and the Spanish Government was granted the right to send observers to any other meeting in which they had an interest. This legal formula placed Spain on an equal footing in all administrative bodies dealing with agriculture to

²⁶⁶. PRO, MAF 40/558: "Association of Spain with the OEEC. Record of [a restricted] Meeting [on 23 October 1954]", n/s, n/d. The Belgian formula was set by the OEEC Secretariat as SJ/3231, "Note. Participation of Spain in the work of the Organisation", Paris, 27 October 1954.

²⁶⁷. PRO, MAF 40/558: OEEC UK Delegation to MAD, Paris, 29 October and 18 November, 1954.

²⁶⁸. With minor changes, the compromised Secretariat proposal was approved as a basis for discussion with the Spanish Government; PRO, FO 371/111308: OEEC Secretariat CES/335, "Note. Participation of Spain in the work of the Organisation", Paris, 17 November 1954.

²⁶⁹. Ibid., Ellis-Rees to Coulson, Paris, 29 November 1954, and AGA, C/36.625: Argüelles to Ministers of Foreign Affairs, Commerce and Agriculture, Madrid, 7 December 1954.

be developed within the OEEC, without contracting the compromises of OEEC membership. The position designed for Spain in agricultural matters implied that Spain was allowed to send observers to the Council and to many technical committees when treating matters directly affecting agriculture, which in fact would be interpreted very broadly in the future. It was also a good solution for those OEEC members willing to draw Spain closer to Western Europe. On the other hand, the solution found for the Spanish question was not unsatisfactory to those Governments which strongly disagreed with Franco in political terms, because Spanish association with the work of the new agricultural committees, side-stepped the membership question. The question of full participation by Spain would have come closer on the horizon only if the Spanish showed themselves anxious for closer economic cooperation with the rest of Western Europe and willing to comply with the corresponding obligations.

The meeting which took place between the representatives of the OEEC and ECOAM, on 30 November, agreed the terms for the transfer of the Green Pool to the OEEC following minor discussion. The Group of Eight's proposals were almost identical to the ministerial resolution. With regard to the conclusion, within the OEEC framework, of special agreements on agricultural and food products, the Group of Eight considered that the provisions of the Resolution "should be purely and simply endorsed by the Council."²⁷⁰ With regard to Spain, Argüelles affirmed that the previous negotiation with OEEC representatives gave him every reason to believe that satisfactory arrangements could be devised to give effect to the transfer provisions regarding the participation of Spain in the work of the OEEC concerning agriculture.²⁷¹ After the Liaison Committee of the Green Pool agreed to the paper as a whole, it was up to the OEEC Council to approve the formal resolutions.

²⁷⁰. PRO, MAF 83/3392: OEEC Secretariat SG/LO1(54)12 (3rd rev.) Annex A, "Working Party instructed to keep under review the relations of the Organisation with other organisations concerned with European economic co-operation. Measures to be taken for the implementation of the resolution of 10th July 1954 of the European Conference on the Organisation of Agricultural Markets. Report by the Working Party to the Council", 12 October 1954.

²⁷¹. Ibid., ER(P) (54)20, "OEEC United Kingdom Delegation. Green Pool", 2 December 1954.

The OEEC Council meeting in mid-January was ready to officially sanction the two sets of agreements (the draft decision and the draft agreement with Spain). Suddenly, when the invitation had already been extended to Ministers of Agriculture for the final act, a new bilateral confrontation between Spain and Belgium threatened the entire transfer of the Green Pool to the OEEC. The Head of the Belgian Delegation to the OEEC called to Sir Ellis-Rees, on January 7, to announce that the Belgian Government had decided the day before that they would not be able to agree to the resolution reached, in so far as it authorised Spanish observer status in certain committees.²⁷² The cause this time was the public revelation that Leon Degrelle, the ex-chief of the Belgian fascist party founded in 1935 -rex- and condemned to death after World War II accused of collaboration with the Nazis, lived in Spain in a semi-official protected status despite the Spanish Government's promise to extradite him.²⁷³ The Belgian Government's reaction, very much supported by all the country's parties and public opinion, was to veto anything which could appear to give Spain a new mark of favour. The Belgian delegation tried to separate the approval of the general question of transferring Green Pool works to the OEEC from that of Spanish participation, with respect to which Belgium would impose a veto.²⁷⁴

Fortunately for the Spanish Government, the Belgian request was against the precise instructions approved by the Ministers of Agriculture. The best British diplomacy and the firm attitude of most delegations persuaded the Belgians that a point of no return had been reached, which could not be endangered by unrelated particular problems. The reputation of the OEEC, the urgency of bringing the long drawn out negotiation to a satisfactory conclusion, the unpredictable consequences of throwing the whole arrangement back into the melting pot and whether the OEEC's work should be governed by political considerations of this kind, were put forward to persuade the Belgians. As in the early period, the Green Pool was not the place to formulate policy towards Franco

²⁷². PRO, MAF 40/558: Ellis-Rees to FO, Paris, 7 January 1955.

²⁷³. The Belgian Government had demanded his extradition since August 1945 and the Spanish authorities continuously denied Degrelle's presence in Spain; see Florentino Portero: Franco aislado. La cuestión española (1945-1950), Madrid [Aguilar] 1989, pp. 189-90. Unfortunately, Degrelle appeared publicly with members of the Spanish Government, early in December 1954, in the official homage to the Blue Division that fought in the Russian front.

²⁷⁴. MAE, Leg. 7384, exp. 8: Cifra 6 from Paris, 12 January 1955.

Spain.²⁷⁵ After approval by the Conference and by the Spanish Government of the proposals, on 14 January 1955, the OEEC Council of Ministers adopted the final decision to return agriculture to the general framework of the OEEC.²⁷⁶ After years of discussion the ECOAM could be safely kidnapped within the OEEC.²⁷⁷

7.5. Domestic Dynamics Stemming from Green Pool Membership

Spanish participation in the European agricultural negotiations reveals more clearly than ever before two distinct circumstances. First, the implementation of the principle of *unity in foreign action* (designed in the mid-1940s to grant a monopoly of power to the Ministry of Foreign Affairs) and, second, the beginning of an open debate within the Spanish Administration about adopting progressive steps towards trade liberalisation. The success of the latter phenomenon was directly proportional to the ability to break the conservative rule imposed by diplomats in foreign action.

7.5.1. Implementing the Principle of Unity in Foreign Action

The importance of the progressive association to West European economic cooperation precipitated the implementation of the principle of *unity in foreign action*.

²⁷⁵. The bitter Belgian opposition was channelled through the vote at the United Nations Assembly in December 1955 when Spain gained membership, together with Austria, Finland, Italy, Japan and Switzerland. When asked whether he considered Belgium's opposition to Spain's entry into the different international organisations (OEEC and UN) to be a consequence of the affair Degrelle, Franco answered: "I do not think so. What happens is that the Belgian Government obeys Mason and Socialist instructions"; Francisco Franco-Salgado-Araujo: Mis conversaciones privadas con Franco, Barcelona [Planeta] 1976, pp. 73-74 and 153.

²⁷⁶. PRO, MAF 40/558: OEEC, C(54)326(Final)Scale 1, "Decision of the Council concerning the continuance of the work of the Organisation in regard to agriculture and food. Adopted by the Council at its 270th Meeting on 14th January, 1955" and its annex, "Agreement between the Organisation for European Economic Co-operation and the Spanish Government concerning the participation of Spain in the work of the Organisation on questions relating to agriculture and food", Paris, 14 January 1955.

²⁷⁷. For a concise account of the initial steps of the new agricultural units within the OEEC see Laschi's doctoral diss., cit., pp. 289 ff.

The different Ministries concerned acted accordingly. Because the French Government had not originally invited its Spanish counterpart to attend European agricultural negotiations, the latter considered the Green Pool another manifestation of international dislike of the Franco regime. The Ministry of Foreign Affairs, whose task was to overcome post-war international political ostracism, was thus responsible for action.

The Ministers of Agriculture and Industry and Commerce did not oppose the Ministry of Foreign Affairs adopting the necessary measures. This concerned, most clearly, the Minister of Agriculture, Carlos Rein, who immediately passed responsibility to his colleague at the Ministry of Foreign Affairs.²⁷⁸ Rein's personal attitude was one of total non-attendance (not even as an observer) if the Spanish Government was not properly invited "even if it can be pernicious to our interests". The only question to decide was the "political convenience of raising a protest".²⁷⁹ The pride of Franco's regime was above the nation's interest. Three months later, however, Rein's attitude was in favour of taking some action.²⁸⁰ The ministerial reshuffle of July 1951 did not modify this state of affairs. On the contrary, the need for an export promotion to sustain the new Cabinet's economic programme reinforced the need for diplomatic priority action.

The ill-defined structure of the foreign economic administration also favoured diplomatic predominance. The newly created Ministry of Commerce (divorced from the Ministry of Industry and Commerce in July 1951) tried to increase its influence in foreign economic policy by linking the Under-Secretariat of Foreign Economy and Commerce to itself. After February 1947, the latter supposedly coordinated the different administrative units involved in foreign economic relations. In February 1952, the split of the Under-Secretariat allowed diplomats to maintain control over the foreign economic policy-machinery. The Ministry of Commerce's influence through the Under-Secretariat of

²⁷⁸. Carlos Rein Segura (b. 1897), Agronomist, Lawyer and convinced Phalangist. As Minister of Agriculture (18 July 1945 to 18 July 1951). Rein was one of the Cabinet's most favourable members of interventionism, which led to the disastrous state in which Spain's agriculture was placed by 1951. The situation came close to starvation and was only partially solved via imports of basic foodstuffs.

²⁷⁹. MAE, Leg. 5910, exp. 6, carp. 1: Rein to Artajo, Madrid, 26 March 1951.

²⁸⁰. Ibid, Rein to Artajo, 20 June 1951.

Commerce was reduced to internal trade. The competence of its main section, the Directorate General (DG) of Commerce and Tariff Policy, was directly seized by the powerful DG of Economic Policy (<<Dirección General de Política Económica>>), the newly created DG's of Commercial Policy (<<Dirección General de Política Comercial>>) and of Foreign Markets (<<Dirección General de Mercados Extranjeros>>). The last three DGs were within the administrative structure of the Under-Secretariat of Foreign Economy, which was technically dependent upon both Ministries.²⁸¹ The clear overlapping of functions rendered the whole structure as ill defined as previously (see chapter one). The different Ministers involved, due either to the administrative structure or to Spain's isolation concerning the new integrationist proposals, had no option but to leave the Ministry of Foreign Affairs to act first.

The Ministry of Foreign Affairs argued to be defending Spain's interests against France's obscure designs for political preponderance behind a united Europe. The ECSC and the EDC were the tools to control German heavy industry and armament. Other initiatives for restrictive communities intended to cut other countries' foreign policy aspirations to carry out their preponderance plan more easily. Faced with any restricted organisation, the Ministry of Foreign Affairs argued that Spain should adopt an attitude based, above all, on considerations of a political nature. The confusing conduct of France towards Spain in the preparatory conferences dealt with in this chapter, the Ministry of Foreign Affairs argued, made it necessary to impose a unity of criteria dominated by diplomats.²⁸² The central considerations which should guide the Spanish official reaction

²⁸¹. Whilst the DG of Commerce and Tariff Policy had the main task of dealing with imports and exports, apart from tariff matters, the DG of Commercial Policy (Under-Secretary of Foreign Economy) had the task of preparing studies when negotiating trade agreements and treaties, surveying their execution, as well as "the defense of Spain's general economic interests abroad", article 12 of the Decree-Law of 8 February 1952, BOE 15 February. The DG of Foreign Markets (set up by order of 11 January 1952, BOE of 24th) for an expansion of trade was dealing with tasks closely related to the above-mentioned ones. At the same time, the DG of Economic Policy had the task of actually negotiating the treaties, being quite involved in all other aspects of foreign economic relations. The Under-Secretariat of Foreign Economy also incorporated the consultative commission, created in October 1951 with a wide administrative membership, regarding all matters related to the Eximbank credits and other financial agreements.

²⁸². MAE, Leg. 3166, exp. 8: General Direction for Foreign Policy, Ministry of Foreign Affairs, "Informe sobre la Comunidad Europea de Transportes", 30 October 1952.

to any *integrationist* proposals were twofold. First, any attempt at integration would have inevitable repercussions upon Spain's economic structure *and* foreign policy. Second, those countries who "have repeatedly distinguished themselves by their deep hostility towards Spain" dominated European integration.²⁸³ This made the Ministry of Foreign Affairs the direct means of expression of *the* national interest. The rest of the ministries involved, unaware of the whole complexity of foreign policy and Spain's role in world affairs, exclusively represented *partial interests*.

"Only the Foreign Office is in possession of the general information required to judge properly the convenience of Spain joining the attempts of European integration".²⁸⁴

The disagreement between the Ministries of Foreign Affairs and Public Works showed how political considerations had reached their peak. The principle of *cautious action* represented a safeguard against the Ministry of Public Works' narrow vision. This principle initially reflected (and always according to diplomatic sources) the need to avoid making mistakes. Morice had ignored the official diplomatic channels and sent the invitation directly to his Spanish colleague, with the excuse of the technical character of the subjects to be discussed. For Spanish diplomats, zealous for formalities, this represented clear evidence of France's attempt to by-pass important bilateral political problems. An unconscious Spanish promising attitude would facilitate French political predominance over Spain without the French Government making the corresponding political concessions. Vallengano's independent action, without properly considering the "existing interdependence among the different restricted communities", represented an extreme danger to "the efficiency of Spanish foreign policy regarding Europe".²⁸⁵ The different perception of the interests involved created debate and conflict within the Spanish Administration. Arguing that no real economic gain was involved, the Ministry of Foreign Affairs turned Morice's invitation into a bargaining tool. That is, diplomats

²⁸³. Ibid., despatch no. 575 from the General Direction for Foreign Policy to the Under-Secretary of the Ministry of Public Works, "S/ la participación España en trabajos preparatorios Comunidad Europea de Transportes", 30 October 1952.

²⁸⁴. Ibid., "Informe sobre la Comunidad Europea de Transportes", 30 October 1952.

²⁸⁵. MAE, Leg. 3445, exp. 16: Report by Cortina on the transport and agricultural pools, Madrid, 10 December 1952.

determined the policy's relative costs and benefits in isolation from the department directly involved. The unity of criteria meant that transportation became part of a larger design affected by foreign policy considerations. In view of departmental struggles, the Council of Ministers expressed the need to maintain the diplomatic monopoly regarding Spain's participation in several restricted communities.²⁸⁶

The Ministry of Foreign Affairs considered it obvious that Spain should maintain a unified front, coordinated (and monopolised) by itself, given the uncertainty of the political implications of the initiative. The Council of Ministers had appointed Cavestany as President of the delegation to the plenary conference of March 1953. Despite this, the Foreign Affairs department placed the responsibility of representation to the IC upon diplomats. The potential discussion of the institutional question, which was above the competence of any other department in the name of the principle of unity of action, was the supportive argument.²⁸⁷ The general orientation of the Green Pool corresponded to the Ministry of Foreign Affairs and its civil servants because the institutional question represented a problem of high international policy.²⁸⁸ The delegation did not include the Under-Secretariat of Foreign Economy and Commerce, which theoretically held a primary role in foreign economic policy. The Ministry of Foreign Affairs acted similarly concerning the Spanish delegation to the transport conference, since diplomats had presented the OEEC's transport initiative as presenting a potential threat towards

²⁸⁶. A.S.C.M. Tomo II. 1953, no. 5539, Council of Ministers' meeting on 16 January 1953.

²⁸⁷. The composition of the Spanish delegation in the IC was approved by Foreign Affairs and communicated to the Minister of Agriculture, MAE, Leg. 3445, exp. 18: Despatch no. 169 to Cavestany, "Comisión española en reuniones Comité Interino Pool Verde", 22 April 1953. Emilio de Navasquès y Ruiz de Velasco, Under-Secretary of Foreign Affairs, was appointed Chairman of the Spanish delegation and assisted by Cortina, head of the division of International Organisations at the Ministry of Foreign Affairs. The rest of the delegation was composed of Mosquera, Councillor of Foreign Economy, and Escoriaza, Agricultural Attaché, both of whom were at the Spanish Embassy in Paris. Only the latter represented the views of the Spanish agricultural ministry.

²⁸⁸. AGA, MAE/11591, folder 567: Order no. 397, Artajo to Rojas, "Próxima reunión Comité Interino de la Conferencia <<Pool Verde>>", Madrid, 17 April 1953; and MAE, Leg. 4612, exp. 16: Artajo to Arburúa, Madrid, 20 May 1953.

supranationality.²⁸⁹

The argument that the transport and agricultural initiatives implied concessions of sovereignty was a mere excuse to expand diplomat's influence in foreign action and to end the ministerial confrontation over the leading role played by diplomats. To assure an undisturbed action, the Ministry of Foreign Affairs constantly threatened the danger of supranationality. The political interest was so evident that it required the strict harmonisation of economics with the political design of the Franco regime.²⁹⁰ The Ministry of Foreign Affairs was thus the best equipped to survey the matter. Political factors had taken over from any other consideration.

In comparative terms, the Spanish case was not unique among those nations which overrated the political implications of the Green Pool initiative. In the Swedish case, the Ministry of Agriculture developed a very similar subordinated position.²⁹¹ The British Foreign Office was as clear-cut as its Spanish counterpart. When the question came to be decided about British representation to the ministerial meeting in March 1953, Nutting expressed the problem to his colleagues at the Ministry of Food and Agriculture and Fisheries in terms which Artajo could have written for him.²⁹²

²⁸⁹. Diplomats presided through the General Director for Foreign Policy, Mariano Iturralde Obregoso, assisted by Cortina. The Minister of Public Works had suggested that the main chair be occupied by the General Director of Railway, Trams and Road Transport, in order to follow the example set by other delegations. Vallellano was "convinced of the great advantage to be derived from the fact that our representation, with a similar composition, would move among acquaintances used to gathering in similar international technical meetings since many years ago." MAE, Leg. 3166, exp. 7: Vallellano to Artajo, Madrid, 12 February 1953.

²⁹⁰. "The political interest this represents to Spain is so evident that it does not need to be recommended"; *ibid.*, report on transport cooperation, 28 February 1953.

²⁹¹. See the expressive comments of Martin Peterson: "Sweden and the Green Pool: 1950-1955", EUI Colloquium Paper Doc 310/90 (Col 44), November 1990, pp. 16-17.

²⁹². "Although this meeting purports to deal with a technical subject, I am sure you will agree that our interest are at this stage primarily political. This is, after all, part of the whole European federalist plan, and, to judge from a talk I had with Mansholt [on 30 January 1953] the meeting will turn solely on the question whether or not to set up another supranational federal authority." PRO, MAF 40/549: Nutting to Sir Thomas Dugdale, Ministry of Agriculture and Fisheries, 11 February 1953. A similar letter was addressed to the Minister of Food. Nutting decided to attend the ministerial meeting accompanied by only one official from the Ministry of Agriculture and Fisheries and another from the Ministry of Food.

The Ministry of Foreign Affairs acted independently from the mechanism for coordinated action established in March 1953, namely the Study Group composed of representatives from the three ministries involved. The lack of consensus within the party rendered it totally ineffective. With this excuse, the Ministry of Foreign Affairs officially appointed and briefed the delegations to the transport and agricultural meetings and the different working parties. Furthermore, it channelled all instructions to delegates, irrespective of the ministries to which they belonged. The absence of well-defined instructions from the special party set up to follow the conference's events led to inconsistencies among the delegates to the different groups of experts and to inaction on many questions.²⁹³ The technical experts enjoyed some degree of freedom of action, while the IC shelved the institutional question for the study of market organisation. Even during this so-called *functionalist* phase of the negotiation, in diplomatic terms, the Ministry of Foreign Affairs did not renounce its role of coordination.²⁹⁴ The Ministers of Agriculture and Commerce were unhappy with the attitude adopted by their colleague. They wanted their personnel to preside over the delegation at the IC and not be restricted by the working groups of experts.²⁹⁵ These departments managed, although temporarily, to seize the state of affairs. The Ministers of Foreign Affairs, Agriculture and Commerce, who met on 30 May, ratified Cavestany as Chairman of the Spanish delegation to the conference, restated that civil servants from different ministries were to form part of the working groups and confirmed the Under-Secretary of Foreign Economy as the official channel of communication between Paris and Madrid.²⁹⁶ The Ministry of Foreign Affairs was ready to intervene when the institutional question appeared on the IC's agenda and brought the political element to the forefront. The Ministry of Foreign Affairs profited

²⁹³. A complete collection of complaints on this line in MAE, Leg. 3445, exps. 18 and 19; and Leg. 5910, exp. 6, carp. 4. This same argument has been extended in general to all Spanish multilateral diplomacy by Benny Pollack: The Paradox of Spanish Foreign Policy. Spain's International Relations from Franco to Democracy, London [Pinter Publisher] 1987, p. 116.

²⁹⁴. MAE, Leg. 4612, exp. 16: Artajo to Arburúa, 13 May 1953.

²⁹⁵. AGA, C/37132, folder 21: "Nota para el Sr. Ministro", n/d, and MAE, Leg. 4612, exp. 16: Note for the Minister of Agriculture, Madrid, 20 May 1953.

²⁹⁶. MAE, Leg. 3445, exp. 18: "Nota sobre la reunión de los Señores Ministros de Asuntos Exteriores, Agricultura y Comercio que tuvo lugar en el Ministerio de Comercio el día 30 de Mayo de 1953", 2 June 1953. The Ministry of Foreign Affairs had imposed its Directorate-General for International Organisations as the official channel between the Spanish Study Group and the delegation in Paris, against Cabinet instructions; MAE, Leg. 3445, exp. 21: Despatch no. 170 to Cavestany, 21 April 1953.

from the opportunity to recover preeminence with the excuse of defending a position of non-discrimination.²⁹⁷

Regarding the Green Pool as another international attempt to isolate and discriminate against the Spanish political regime, this Ministry over-rated the political implications of the agricultural discussions. Initially, as had happened in many other countries, Spanish diplomats had rather naturally assumed a supranational development in the move towards a separate organisation. This attitude was maintained even after it became clear from the discussions that the idea of a supra-national agricultural community in any way comparable to the ECSC was tacitly dropped. Still in December 1953, Spanish diplomats argued that any proposal for a separate organisation with proper decisional powers was "equivalent" to supranational institutions and "to a certain extent, a federal configuration", implying the surrender of sovereignty.²⁹⁸ It is hard to believe that Spanish diplomats were so unaware of the different national positions. They did not perceive that the need for a separate organisation did not derive from the specific desire for supranationality, but was a means to avoid the Ministers of Economy and Finance dismissing the heretic proposals discussed within the commodity groups, which moved away from the generally accepted policies of free trade that the OEEC countries were supposed to follow. The benefit of initial and genuine perplexity could be granted to the Spanish Ministry of Foreign Affairs. At the beginning it was somehow natural to think that any organisation independent from the OEEC would necessarily imply an "integrationist" solution. There seemed to be no other sense in setting up a separate organisation for agriculture reproducing the OEEC's practices and rules (apart from allowing Spain to participate on an equal footing). After the Summer of 1953, however, this argument was no longer valid. The Ministers of Transport had shown that an autonomous organisation was not necessarily paired with supranationality. It is more appropriate to think that the supranational threat was addressed for domestic consumption. The supranational spectrum helped diplomats in their particular struggle with other sectors in the administrative distribution of power.

²⁹⁷. MAE, Leg. 7384, exp. 8: Artajo to Arburúa, 15 October 1953.

²⁹⁸. MAE, Leg. 3445, exp. 20: "Pool Verde", Cortina's report, 10 December 1953.

The principle of *unity in foreign action*, as described in the first chapter of this dissertation, implied the abandonment of economic criteria when dealing with foreign economic relations and its replacement by the political guide-lines of foreign policy. The technical ministries challenged this model. For them, Spain should approach Western European affairs through technical cooperation in economic matters, rather than bluntly in diplomatic negotiations. Any diplomatic move would immediately bring international public attention, whilst economic cooperation could be presented as necessary for the general welfare. For instance, it was difficult to argue against the need to include Spain in any transport cooperation and the enrichment of Western European diet through imports of oranges from Spain. Railways and agricultural exports represented tools of *realpolitik* and the best channels for rapprochement. Once political foreign ostracism vanished, as came to be progressively the case during 1953, the post-1945 model of unity lost its urgency and domestic circumstances and technical factors reappeared as the predominant factors.²⁹⁹ From the diplomatic stand-point, however, the problem was how to benefit from international economic and technical cooperation while maintaining as much power as possible within the domestic distribution of power. Diplomats had been forced to share the administration of foreign policy with other bureaucracies dealing with important issues. The negotiation with the United States for the establishment of military bases was primordially handled by the military authorities. In the negotiations with the Vatican leading to the signature of a Concordat, the Catholic hierarchy side-stepped diplomats. This might have generated a mentality of siege among diplomats and defence of their prerogatives versus other administrative bodies.

The predominance of political considerations explained why no organised agricultural group influenced Spain's policy options about the Green Pool.³⁰⁰ The corporate system for the economic reorganisation of the country imposed after 1939 had placed agricultural organisations under the political control of the State. The *Sindicato*

²⁹⁹. In the domestic sphere this same argument was put forward to favour central planning and coordination by technical bodies and not exclusively by the Council of Ministers, i.e. Manuel de Torres Martínez: *La coordinación de la Política Económica en España*, Madrid [Instituto Social León XII] 1953, pp. 17-19.

³⁰⁰. Something that was quite significant in other countries, see contributions to Griffiths (ed.): *The Green Pool*, op. cit.

had the specific function of informing the Government of the aspirations and requirements of each branch of production and executing the State's general directives.³⁰¹ These artificially created bureaucratic organs could play no significant role in the country's international economic policy.³⁰² These circumstances predominated in our specific case, because the Green Pool affected vital interests of the State. It was the responsibility of the highest levels of the Administration.³⁰³

It has been argued that agricultural groups did not participate in the policy-making process concerning the Green Pool because they rated the Pflimlin and Mansholt Plans' possibilities of success very low.³⁰⁴ This argument is based on a false perception. Most agricultural producers and exporters in Western Europe held a similar opinion about both plans. This opinion, however, did not stop them from participating in the initiative either to render it ineffective altogether or to ensure that the results to be booked in Paris were perfectly in line with their respective interests. Disinterest from the Spanish side would have been unwise, because the situation contained elements of potential danger for Spanish agricultural interests. It would be very surprising to find that Spanish agricultural interest groups were not willing to eliminate part of the many restrictions influencing their performance, which participation in the Green Pool offered. In compensation, any level

³⁰¹. Principles stated by the earlier Fundamental Laws of the Kingdom (*Fuero del Trabajo*, March 1938, and *Fuero de los Españoles*, July 1945), whose principles were defined as permanent and immutable; *Leves políticas españolas fundamentales (1808-1978)*, Compilation by Enrique Tierno Galván, 2nd ed., [Tecnos], Madrid, [1968] 1979, pp. 216-24.

³⁰². The only example of the agricultural Sindicatos' direct intervention in foreign economic policy is their sporadic involvement in bilateral trade talks. Even in these cases, however, they simply formed part of the negotiating team and had the limited function of carrying out the instructions issued by the appropriate ministry.

³⁰³. This research did not find any evidence of dialogue between Sindicatos and Administration. The appointment of the Vice-President of the *Sindicato vertical de frutos y productos hortícolas*, as a member of the delegation to Paris in March 1953 and the proposal for his appointment as a member of the Study Group set up in Madrid to follow the events of the Green Pool, led only to the acquisition of statistical information. The Sindicato mentioned, was set up in August 1941 and, given its specialisation, dominated Spain's agricultural exports. It received the returns of a special levy on orange exports, which allowed it to set up commercial offices in the most important markets. Other powerful Sindicato was for olive oil, but it did not participate in export trade.

³⁰⁴. Mr Félix Pareja Muñoz's comments to my "Spain and the Green Pool: Challenge and Response, 1950-1955", EUI Colloquium Paper no. 312/90 (Col. 46), November 1990. Mr Pareja's activities as a civil servant were related since 1951 to the field of agricultural exports.

of increased imports would be necessarily very low, given the Spanish Administration's inability to accept immediate liberalisation. Spanish producers might have even welcomed some level of import liberalisation and commodity agreements to help end the price support schemes which often maintained domestic prices at artificially low levels. Another element, which Spanish exporters might have considered, was the aim of Pflimlin and Mansholt plans to reactivate the OEEC's objectives, which could not be extended to Spain if the latter abstained from participation.

7.5.2. Initial Steps Towards Trade Liberalisation

The diplomatic personnel interpreted the Green Pool as a step towards the complete normalisation of foreign relations. The Spanish ambassadors in Western European nations were instructed to maximise the possibilities of the economic bargaining for other issues, such as the United Nations, NATO, OEEC and the Council of Europe. Conversely, for the technical divisions, any international economic forum was an opportunity to trigger off the question of whether an open or a closed economy was more beneficial for Spain. Without an effective coordination mechanism, they could not fight their private battles at home and go to meetings with a single mind and clear instructions. The Spanish delegation suffered from constant inter-departmental differences made public even at the negotiating table itself. Already at the first meeting of the IC, 27-30 April 1953, the Spanish representatives confronted each other when they attempted to establish the balance between the economic interest of the State, as presented by the agricultural attaché, Escoriaza, and the political requirements of its foreign policy, as presented by the Under-Secretary for Foreign Affairs and the Director of the division of International Organisations, Navasqués and Cortina.³⁰⁵ Both sides viewed the other as trying to eliminate the opponent's influence in future agricultural developments.³⁰⁶

³⁰⁵. MAE, Leg. 3445, exp. 18: Report by Escoriaza, 2 May 1953; and AGA, C/37132, folder 21: Informative Note, Madrid, 8 May 1953, and Cortina to Artajo, n/d.

³⁰⁶. AGA, MAE/11.553, folder 40: Escoriaza to Cavestany, "Designación de la delegación española al Comité Interino de Trabajo del "Pool Verde" y misión encomendada a éste", Paris, 24 April 1953; and AGA, A/6814: Escoriaza to Cavestany, Paris, 6 May 1953.

Those responsible to the Ministry of Agriculture saw the Green Pool as a means of enhancing their Ministry's efforts to modernise Spain's agriculture. Obtaining better trading possibilities and stabilising foreign markets would lead them inevitably to confront the excess and complexities of intervention in the countryside to reach increases in output and improvements of productivity.³⁰⁷ For those responsible to the Ministry of Commerce, the Green Pool would accelerate the trend towards liberalisation of trade. This was the position of the delegate at the WP of fruits and vegetables, Mosquera, Councillor of Foreign Economy at the Embassy in Paris, who mainly represented the views of the Under-Secretariat of Foreign Economy. One cannot ignore the surprising fact that representatives of the Franco Regime, which had imposed and maintained the most interventionist, protectionist and restrictive trade system in Western Europe at the time, preached to their European colleagues (although exclusively for fruit and vegetables) about the virtues of free trade without restrictions.

The technical experts were conscious that liberalisation implied a movement in both directions and could not exclusively be used to promote export trade without also contracting a commitment to liberalise import trade.³⁰⁸ Their support for liberalisation of agricultural exports could have had a knock-on effect on other economic sectors and lead, by contagion, to the progressive opening of the Spanish economy. It is essential to underline that the personnel of the Ministries of Agriculture and Commerce and of the Under-Secretariat of Foreign Economy were perfectly conscious that the opening of the Spanish economy was a progressive long-term process, but not a revolutionary step. The state of the Spanish balance of payments could not afford (and some important sectors within the Spanish Administration would not allow) any broad and immediate liberalisation of agricultural produce. The bulk of Spain's agricultural production was not competitive in foreign markets and the dismantling of State purchasing agencies (for a system of licences and quotas plus tariffs) could not be done overnight. The element of

³⁰⁷. The first and most sensible report on the economic consequences of the Green Pool stressed this point, AGA, A/6815: "Consideraciones económicas acerca de la Conferencia Europea sobre Mercados Agrícolas" by the National Institute for Agricultural Research, Madrid, 1 July 1953. See also AGA, A/6814, folder 1953: "Breve informe sobre los trabajos desarrollados por el grupo de expertos 'frutos y legumbres'", by Escoriaza, 22 June 1953.

³⁰⁸. AGA, C/37132, folder 21: "Nota resumen sobre las decisiones tomadas por el grupo de expertos de frutas y verduras", by Mosquera, 30 July 1953.

progressiveness was permanently present in all the proposals of the Spanish delegation to the OEEC. In the first official proposal in that respect, in August 1953, Argüelles suggested the imposition of import global quotas for each product as an intermediate stage between the then existing situation and a general liberalisation.³⁰⁹ His intention, however, was to pursue the idea of securing Spain's entry into the OEEC.³¹⁰ The Ministry of Agriculture agreed to undertake "steps in the direction of liberalisation" to allow Spain to profit fully from improved access to European markets.³¹¹

Concerning the question of what sort of institution should house agricultural negotiations, the Ministries of Agriculture and Commerce considered a majority rule desirable to allow the Green Pool to go further in liberalising agricultural trade. On the contrary, the Ministry of Foreign Affairs proposed adopting the principle of unanimity, initially approved by the Council of Ministers on 4 December 1953, since it was "the only principle compatible now with [Spain's] institutional system."³¹² The Ministry of Foreign Affairs tried to warn the Council of Ministers of the need to adopt a *cautious policy*. There were still commodities being studied and thus, it was hard to decide upon the effects of general liberalisation on the Spanish agriculture and economy. The benefits that Spain would have obtained from liberalised agricultural exports would have to be compensated by the import liberalisation of industrial goods and invisibles, with respect to which the Spanish economy needed protection by all possible means. The technical ministries did not have the opportunity to reply to this. It was argued flatly that the

³⁰⁹. MAE, Leg. 4612, exp. 16: Informative Note to the Minister of Commerce, 19 August 1953.

³¹⁰. PRO, FO 371/106047: "Note of an interview with Señor Don Jaime Argüelles, Under-Secretary for External Economic Affairs in Madrid", by Ellis-Rees, Paris, 11 September 1953.

³¹¹. AGA, A/6814, folder 1953: "Instrucciones a la Delegación española que asistirá al Comité Interino del 'Green Verde' de 16 de Diciembre de 1953" by the Ministry of Agriculture's General Technical Secretariat, Madrid, 3 December 1953.

³¹². MAE, Leg. 3445, exp. 24: Report by Cortina, "Pool Verde. Consideraciones sobre los trabajos realizados hasta el momento presente y sobre la posición española en la próxima Conferencia de Ministros de Agricultura", 25 February 1954; and AGA, C/36625: Juan Schwartz y Díaz-Flores, General Director for Commercial Policy and Treaties at the Spanish Ministry of Commerce, to Ministers of Foreign Affairs, Commerce and Agriculture, "Reunión del Comité Interino de la Conferencia Europea sobre Organización de los Mercados Agrícolas para aprobar el Proyecto de Informe al Consejo de Ministros de Agricultura", Madrid, 27 February 1954.

majority option was "unacceptable" in political terms anyway. The technicians attending the expert groups had progressively isolated themselves from (and almost conspired against) the general policies approved by the Spanish Government. The Ministry of Foreign Affairs considered that it was time to bring the technical personnel back into line when matters had reached the policy level. Liberalisation was fine when limited to the export of fruit and vegetables, but it raised problems going beyond agricultural exports.

A further example of inter-departmental struggle reveals the underground debate on essential policy options for the Spanish economy. At the time of the transfer of the Green Pool to the OEEC, the Under-Secretary of Foreign Economy endorsed the OEEC option (in contrast to the official position). The advantages of Spanish membership were an increase in export trade, the reduction of restrictions on trade with Western Europe, the possibility of maintaining an overall deficit with the EPU area higher than the sum of all the bilateral commercial credits offered by OEEC countries, and the intra-European currency transferability which allowed for a better selection of suppliers.³¹³

The Spanish authorities were aware that the strong benefits deriving to debtors from the EPU arrangements had progressively decreased ("hardened" in EPU terminology) from those that members benefitted originally. Initially, debtors were entitled, according to a sliding-scale, to lines of automatic credit from the Union which amounted, in the last tranche of their quotas, to 60 per cent of the value of the respective quota, while paying the remaining 40 per cent in gold or dollars. In 1952, when the EPU was renegotiated for the first time, a revised scale of payments by debtors was approved. More gold was to be paid in the early tranches of the quota, though the overall proportion of gold to credit was maintained at 40 to 60. In June 1954, after lengthy negotiations, the EPU was renewed again, but the proportion of gold to credit in settlements was 50 to 50.³¹⁴ Despite the hardening of the initial EPU settlement rules in relation to debtors, it remained invariable

³¹³. MAE, Leg. 10078, exp. 21: "Notas relativas a la posición española en relación con la propuesta de integración en la OECE de los trabajos de la conferencia europea de organización de los mercados agrícolas (Pool Verde)", by the DG of Commercial Policy of the Under-Secretariat of Foreign Economy, Madrid, 3 September 1954.

³¹⁴. See chapter five, pp. 336 and 426, for a short explanation of the settlements system of the EPU and for bibliographical references.

the fact that Spain, up to the limit specified by its quota, did not need to settle its total debt in gold or dollars.

Spain's EPU membership could also be presented as totally disadvantageous by means of reducing the Spanish quota and thus credit facilities in relation to the then Spanish swap facilities; approximately \$50 million. Proposing 1953 as the year-basis for calculation and using the rate of exchange of the free stock market in Madrid (Pts 38.95 to \$1) the Spanish quota resulted in \$29,113,961, with the possibility of obtaining credits for \$14,556,981.³¹⁵ In this case, the maximum possible amount of credit was inferior to the overall swap facilities available for the Spanish on the basis on bilateral trade arrangements. Furthermore, the maximum amount of credits available was even inferior to those calculated in January 1951, when the matter was first discussed in Madrid. At that time, the Spanish quota (on a 1949 basis) entitled Spain to \$53 million credit in the 60 to 40 ratio credit/gold.³¹⁶ If in 1951 the fact that EPU credits were higher than the sum of all bilateral swap facilities was favourably considered, it was not a surprise that the opposite situation played against Spanish EPU membership.³¹⁷

There were many unknown variables to make any consideration definitive. Both, a positive and a negative attitude could be given depending upon the year and exchange rate used for calculation. For instance, adopting a Spanish quota of \$88 million (calculated in January 1951, when the matter was first discussed, at the official rate of exchange) on the basis of Spain's total visible and invisible transactions with the EPU area in 1949, the new EPU ratio of 50/50 credit/gold settlement meant that Spain would have received - once it had reached the maximum debtor position allowed by the size of its quota- \$44 million as credits. Obviously the hardening of the settlements rules within EPU was

³¹⁵. A Spanish unidentified top official made a wrong calculation of percentages and mentioned \$14,051,981 as the maximum amount of credits that Spain would have received from the Union as well as the maximum amount in gold and dollars that it would have paid to the Union once Spain had exhausted its quota; MAE, Leg. 10078, exp. 21: Report for Argüelles entitled "Posibilidad de ingreso de España en la Unión Europea de Pagos", drafted by a unidentified official, Madrid, 11 October 1954.

³¹⁶. See chapter five, pp. 429-30.

³¹⁷. A unidentified Spanish official so informed Argüelles; MAE, Leg. 10078, exp. 21: "Posibilidad de ingreso de España en la Unión Europea de Pagos", Madrid, 11 October 1954.

detrimental for Spain as for any other debtor, because the previous ratio of 60 to 40 gave as a result \$52.8 million as overall credits. Notwithstanding this, the total amount of credits available threefold the initial \$14.6 million previously mentioned, although they were still below the total amount of swap facilities. Adopting 1953 as the year basis with the official exchange rate of Pts 10.95 to \$1, instead of Madrid free market's rate, would have resulted in a quota of approximately \$104 million, with the possibility to obtain credits up to approximately \$52 million, i.e., higher than the total amount of bilateral swap facilities then available. An opposite image could be given by adopting 1949 as the basis year for calculation and using the rate of exchange of the free market. In this case, the Spanish quota would have been approximately \$24.5 million, which gave Spain access to credits amounting to approximately \$12.3 million.

Similar operation could be done if the observer was more concerned about the possibility of a drain in gold and dollar resources. In 1951, it was officially estimated that the full use of the Spanish quota would have resulted on \$35.2 million in gold and dollar payments (at the settlements ratio 60 to 40 of credits against gold and dollar payments, with 1949 as the basis-year and using the official exchange rate of the peseta to the dollar). The new 50 to 50 ratio would have increased gold payments -in the same circumstances- to \$44 million. The hardening of the EPU's settlements rules could have acted immediately against Spanish membership. However, again, the possibility of a drain of resources could be accentuated or diminished according to the conditions adopted for making the estimates, as in the case of credits. On the one hand, adopting the year 1953 and the at the official exchange rate, payments in gold increased to \$52 million. The same basis-year but at the free stock market exchange rate would reduce gold payments to \$14,556,981. Finally, adopting the year 1949 and the free rate of exchange would reduce even more the possible gold and dollar drains to a maximum amount of \$12.3 million! The real interrogant was the capacity of Spanish exporters to expand business on European markets in order to offset any gold and dollar drain once a more stable cross-the-line liberalisation measures were extended to them and bilateral financial constraints and special exchange rates eliminated.

Calculations made at the time were worthless and data could be easily

manipulated in order to provide the result that the observer had previously in mind. In June 1955, the Spanish Delegation to the OEEC, which was drafting a favourable proposal for Spanish OEEC membership to be presented to the Spanish Council of Ministers, came out -mysteriously- with a Spanish quota of \$120 million, which entitled Spain to credits up to \$60 million, plus an initial credit position of \$80 million granted by the United States Government!³¹⁸ No final quota was possible until Spanish negotiators could reach an agreement with their OEEC/EPU partners in terms of the Spanish quota, the rate of exchange for current transactions, initial credits as a possible structural debtor, special transitional clauses and the maximum degree of flexibility that Spain would have been allowed in import liberalisation. Import trade liberalisation was the strongest disadvantage and the real element to fear in terms of drain of dollar and gold resources. At that time, the OEEC had established a liberalisation target of 75 per cent of total private imports from the OEEC area in 1948, with a minimum requirement of 60 per cent in the three categories of goods into which the OEEC trade nomenclature was divided, i.e., raw materials, agricultural products and foodstuffs. The Spanish economic authorities were perfectly aware, however, that the disadvantages of import liberalisation could be reduced strongly. The Spanish Government could easily exclude many commodities from liberalisation calculations by purchasing them under State agencies and bodies. The reasons that a country could argue for not implementing liberalisation obligations or for de-liberalising were numerous and the capacity of the OEEC to change countries' attitudes was limited by the rule of unanimity of its decision-making procedure.³¹⁹ France, Turkey and Iceland were clear proofs. For several years, the Spanish economic authorities had been watching trade liberalisation efforts in Western Europe very carefully. Finally, it seemed that they could use the knowledge of the OEEC member countries' experiences with trade liberalisation to their own advantage.

The fact that the Spanish looked carefully at escape-clauses should not be perceived negatively. Rather on the contrary, this attitude implies that they intended so seriously to move closer towards OEEC practices that some softening measures seemed

³¹⁸. See *supra*, p. 603.

³¹⁹. MAE, Leg. 10078, exp. 21: Despatch from the Spanish Embassy in Paris to Director-General of Commercial Policy Schwartz, 7 October 1954.

necessary for the weak and long-time protected Spanish economy. Argüelles had made clear to Ellis-Rees that the agricultural problem was not of vital importance and that he was thinking a stage ahead, i.e., whether Spain would, at some stage or another, be able to join the OEEC.³²⁰ The Government was to decide whether OEEC membership made the necessary modification of most of its then existing practices worthwhile. The latter were almost entirely at variance with the rules of the OEEC and EPU.

The reply from the diplomatic corner was immediate. The division of International Organisations, the Under-Secretary's most direct rival, argued that generalised international competition would be a disaster for the Spanish economy. Conversely, an association formula provided a good opportunity for first-hand acquaintance with the OEEC and the nature of economic cooperation, without the commitment to modify economic and commercial practices. This was particularly relevant when, by the end of 1954, Spain maintained a critical foreign exchange shortage in the case of virtually all currencies. The Spanish Government should not accept the possibility of OEEC membership without detailed consideration of how a higher tariff level could provide the necessary protection.³²¹ The Council of Ministers agreed. To make sure that the dealings with the OEEC remained within the limits imposed by foreign policy considerations, the Director of International Organisations at the Ministry of Foreign Affairs was appointed to replace the Under-Secretary at the Spanish delegation dealing with the OEEC's Committee of Eight.³²² For an obscure reason, this never completely happened. At the

³²⁰. "They had been thinking about this for a long time, but the Green Pool incident had brought them to face realities and to regard the possibility of their association with OEEC as something of practical importance." PRO, MAF 40/558: Ellis-Rees to Coulson, "Spain and the OEEC", Paris, 20 October 1954.

³²¹. AGA, A/6815: "Observaciones a la Nota de la Dirección General de Política Comercial sobre la posible posición española en las negociaciones para incorporar el 'Pool' Verde a la OECE", Madrid, 5 October 1954, sent to the Ministers of Agriculture and Commerce before the debate at the Council of Ministers. The import licensing system and exchange controls had until then overshadowed the effects of a high and protective tariff. Any future commitment to eliminate licences and bilateral quotas meant preparing tariffs as a main instrument for domestic protection and trade bargaining. For a similar and earlier experience in Western Europe see Wendy Asbeek Brusse: "West European Tariff Plans, 1947-1957. From Study Group to Common Market", Doctoral Diss., European University Institute, Florence, May 1991.

³²². Before the decision was adopted by the Council of Ministers the Spanish Ambassador in Paris, Rojas, gave an account to Mosquera of the contents of the subsequently-issued ministerial order no. 1286; AGA, C/36773, folder 4: Despatch no. 546, 10 October 1954.

end of November, Argüelles negotiated the conditions of the Spanish participation in the organisation for agricultural matters with the OEEC and Cortina checked that the limitations imposed did not appear to be inspired by political motives.

The Ministry of Foreign Affairs and the Under-Secretariat differed on their interpretations of foreign economic policy. The former attempted to remove the essential part of the latter's field of action, i.e., relations with the OEEC. In October 1954, a proposal came to set up a Secretariat of International Organisations (<<Secretaría Permanente de Organismos Internacionales>>) within the Ministry, with the purpose of coordinating action regarding the new forms of formalised European interdependence which the Spanish Government was finally contemplating. The new service was to reconcile the different viewpoints with the criteria which guided and inspired the country's foreign policy. It was, in sum, to guarantee the exact continuity in the execution of the principle of unity in foreign action, reinforcing the Ministry as the "unifying centre of the Government's foreign policy."³²³ Lacking competence regarding Spain's OEEC membership, the Under-Secretariat would be rendered useless in political terms.³²⁴ The establishment of the DG for International Organisations (decree-law of 8 February 1955, BOE of 15th) was an explicit attempt to deprive the Under-Secretary of Foreign Economy of its previous political importance and to replace it with another body closer to diplomatic considerations. In fact, after March, Argüelles' economic proposals came as head of the Spanish Permanent Delegation to the OEEC and in September he decided to leave his post of Under-Secretary to become Spain's delegate to the OEEC.

Departmental confrontation received a fresh impulse with the transfer of ECOAM to the OEEC. The Ministry of Foreign Affairs merely pointed out that the delegation's presence at the OEEC would serve to reinforce the Government's efforts for political respectability. Its targets were to counterbalance the influence of the Council of Europe,

³²³. MAE, Leg. 4616, exp. 2: "Proyecto de Decreto-Ley por el que se crea en el Ministerio de Asuntos Exteriores la Secretaría Permanente de Organismos Internacionales", n/d, probably December 1954. In France, the Quai d'Orsay always directed the delegation to OEEC, despite the Ministry of Finance's efforts to the contrary; Pierre Gerbet et al.: The relèvement 1944-1949, Paris [Imprimerie Nationale] 1991, p. 241.

³²⁴. MAE, Leg. 4616, exp. 2: Argüelles to Ministers of Foreign Affairs, Agriculture and Commerce, Madrid, 7 December 1954 and 19 January 1955.

whose Assembly under the Guy Mollet Presidency had renewed its hostile actions against Franco Spain, and ease future access to European institutions.³²⁵ By contrast, Argüelles considered Spain's participation in the OEEC and in the EPU as a means of forcing Spain progressively into the international economy.³²⁶ Fortunately, the Ministry of Foreign Affairs was unsuccessful in removing Argüelles, who was a major opponent of the diplomatic role and guide-lines in foreign economic policy, from front-line relations with the the OEEC. This was fortunate since Argüelles was well-received in Paris, while Cortina was either hardly known to any of the OEEC delegations or considered a difficult type.

The Spanish Government agreed to consider membership of the OEEC and EPU. It agreed to study ways of achieving some degree of effective liberalisation and the reform of exchange practices. The anxious Spanish delegation to the OEEC, headed by the Under-Secretary Argüelles, placed the drafting of a report explaining to the Government the convenience of Spanish OEEC membership as the first item on its agenda.³²⁷ Early in June 1955, the Ministries of Commerce and Industry set up the so-called working party on International Trade Liberalisation. The latter was "to adopt all necessary measures towards a progressive liberalisation to prepare Spain for its entry into the [OEEC]."³²⁸ The main preoccupation dealt with the rhythm of acceptance of the OEEC exigencies to allow the Spanish economy to progressively accommodate to foreign competition. This was to be done from scratch and there was clearly a long road to be covered to conform with the so-called Code of Liberalisation. The delegation to the OEEC proposed the negotiation of a timetable for trade liberalisation. Accordingly, Spain would commence with a percentage equal to 30 per cent of its private trade in 1948 in all three categories

³²⁵. MAE, Leg. 3448, exp. 13: "Consideraciones de orden político sobre el eventual ingreso de España en la OEEC", Paris, 22 June 1955.

³²⁶. AGA, A/6815: Argüelles to Ministers of Foreign Affairs, Agriculture and Commerce, Madrid, 3 and 7 December 1954.

³²⁷. AGA, A/6814: Escoriza to Cavestany, 2 March 1955. Officially the Spanish delegation to OEEC was appointed by the Council of Ministers on March 4th.

³²⁸. AGA, C/36869: Record of the interdepartmental meeting, 1 June 1955.

and would have freed 60 to 65 per cent two years after its admission to the OEEC.³²⁹ The percentage figures mentioned by the delegation were not very significant in absolute terms: 30 per cent of Spain's private trade with OEEC countries as it stood in 1948 meant the liberalisation of imports equivalent to \$34.7 million. However, they represented 20 per cent of total imports, given the importance of State trade (26 per cent of total imports in 1955).³³⁰ The possible Spanish EPU quota was estimated at about \$200 million, counting upon support from the United States similar to the cases of Austria, Turkey, Greece and Norway. According to the Delegation, considering 1953 as base year (something which had to be agreed upon in accordance with the OEEC partners), the Spanish quota amounted to \$120 million. The rest was to come in terms of American support. This was a complete misinterpretation of the OEEC and American attitudes which the Spanish would have suffered had they officially requested the opening of negotiations.

The OEEC was perfectly aware of the American unwillingness to back the immediate effects of Spain's assumption of the OEEC obligations. Besides, membership of EPU was no longer a possible source of short-term credit (might have been perceived by the Spanish). After June 1955, the renewal of the EPU provided for settlements of the deficits and surpluses of FY 1956 on a 75 percent gold or dollars and 25 percent credit basis, instead of the previous 50-50 ratio. In other words, if Spain received a quota, credit would have been available as to 25 per cent of any deficit Spain might have incurred with

³²⁹. MAE, Leg. 5332, exp. 1: Spanish Delegation to the OEEC, "Informe sobre la eventual entrada de España en la Organización Europea de Cooperación Económica", Paris, June 1955, addressed to the ministers of foreign affairs and commerce.

³³⁰. AD, DE-CE 1945-1960, vol. 371: OEEC, C(56)201, Conseil "Association de l'Espagne aux travaux de l'Organisation. Rapport du Groupe de Travail Spécial du Conseil", Annex A, "La situation économique de l'Espagne", Paris 26 July 1956. Petroleum products and tobacco were imported by State monopolies, while different State offices imported several minerals, cotton and coal. For certain agricultural commodities, such as oil, potatoes, coffee, meat, eggs, wheat and maize, imports were occasionally undertaken by the Supply Commissariat.

the Union as a whole, the remainder being payable in gold.³³⁴ The new EPU mechanism forced its members more than ever before to maintain the equilibrium or at least not to undergo a persistent and grave disequilibrium in trade balances with the EPU member-countries. Furthermore, some OEEC members were convinced of the difficulties to replace the multiple rates of exchange overnight without serious inflationary consequences and to abandon the licensing system without accentuating the trade deficit with Western Europe. In the latter case, Spanish OEEC membership would have no effect at all, since the EPU quota would have to be suspended and Spain's dollar and gold reserves would have to be necessarily used to settle monthly intra-EPU payments. The OEEC had no capacity to force members to comply with their obligations if they resisted to do so. Without American assistance and with EPU credits granted under strict conditions, the Spanish economic and financial situation would have made it necessary for the Spanish Government either to invoke many safeguard clauses or, with the clear precedents of Greece, Iceland and Turkey, to suspend liberalisation and impose discriminatory treatment. The most recent target of 90 per cent of intra-European trade liberalisation, set by the OEEC Council of Ministers in January 1955, was not even considered by the Spanish.³³⁵ The weak partners in the OEEC were numerous and the OEEC was unwilling to create more circumstances in which the number of exceptions in the application of the OEEC practices could be multiplied.³³⁶ In these circumstances, the fact that an eventual membership of the OEEC involved the adoption by the Spanish

³³⁴. Another probability was the Union making available short-term credits repayable in gold within two years, or at the termination of the Union, whichever came first. These were considerations initially applicable to Yugoslavia; PRO, CAB 134/1030: MAC(52)210 (Rev.), "Closer association of Yugoslavia with OEEC", section 6, "OEEC Considerations".

³³⁵. This might have been due to the Spanish belief that after the initial experimental period, ending in September 1956, the 90 percent liberalisation target would have been dropped. Contrarily, in July 1956, the experimental period was extended until 31 December 1957; AD, DE-CE 1945-1960, vol. 371: OEEC, C(56)201, Conseil "Association de l'Espagne aux travaux de l'Organisation. Rapport du Groupe de Travail Spécial du Conseil", Annex B, members' obligations, p. 58.

³³⁶. ASMAE, records corresponding to the Italian Delegation to the OEEC, b. 5: "Partecipazione della Finlandia, Jugoslavia e Spagna all'Unione Europea dei Pagamenti", 30 December 1955. Document provided to the author by Dott.ssa Giuliana Laschi. Only the Federal Republic, Italy, Ireland, Portugal and Sweden had reached a 90 percent liberalisation stage, including 75 per cent in each category; AGA, C/36.819, folder 12: OEEC, C(55)312, Council, "Extension de la libéralisation des échanges en application de la décision C(54)291 (final), Rapport du Comité de Direction des échanges", 17 December 1955.

Government of more liberal policies, which would have in the long term strengthen its economic position to the economic advantage of the OEEC as a whole, was not considered. Any advantage in extending the multilateral area to Spain would have been largely offset by the weakening of the OEEC. Therefore, the possible application for membership of the OEEC was simply considered not to be technically credible until the Spanish Government's capacity to observe the conditions, duties and responsibility of membership was sufficiently proven.³³⁷

The emphasis on what Spain should do, hid some countries' mixed opinions about their particular benefits when obliged to extend to Spain their own OEEC measures and the modification of their relations with Spain. To the extent that the import liberalisation lists included goods for which Spain had to negotiate for import facilities, the OEEC countries would be deprived of some of their previous bargaining power. The general expansion of export trade toward Spain, with the backing of the EPU multilateral payments mechanism, would be detrimental to those countries with no strong competitive position.³³⁸ This perception was supported when another consideration was assumed: the initial percentage of import liberalisation that the Spanish economy could afford was to be very low covering exclusively raw materials and manufactured goods not competing with domestic industries, leaving aside the range of intermediate manufactured goods in which many of the small Western European economies could compete efficaciously with Germany, France and the United Kingdom on the Spanish market.³³⁹

Some countries could find important domestic opposition in extending the benefits of import liberalisation in the agricultural sector to Spain, i.e., French North African

³³⁷. This was, at least, the British position; PRO, CAB 134/1029: MAC(55)162, "Admission of Spain to OEEC", 27 August 1955; and CAB 134/1026: MAC(55)44, "Admission of Spain into OEEC", 26 October 1955.

³³⁸. ASMAE, Italian Delegation to the OEEC, b. 5: "Partecipazione della Finlandia, Jugoslavia e Spagna all'Unione Europea dei Pagamenti", 30 December 1955.

³³⁹. ASMAE, records corresponding to the Italian Delegation to the OEEC, b. 5: "Eventuale partecipazione della Spagna all'O.E.C.E. e all'Unione Europea dei Pagamenti", 30 December 1955. Document provided to the author by Dott.ssa Giuliana Laschi.

exports to metropolitan France.³⁴⁰ In general terms, Spain's closer association with the OEEC could help to transfer public opinion concerns to Spain's NATO membership, a highly conflictual field. Finally, maintaining the incertitude about OEEC could be used as an important bargaining counter in bilateral relations with Spain. We have seen how Belgium tried to solve old financial and diplomatic controversies through its vote at the OEEC. France could offer Spain the opportunity of opting between the possible international prestige provided by its Arab policy, which was very disturbing in French Morocco, and the economic advantages of a progressive rapprochement to the western community of nations.³⁴¹ The United Kingdom could always make its attitude implicitly conditional to Spain putting aside, not its claim to Gibraltar, but at least its active pursuit of such.³⁴² Support for Spanish participation in Western European regional arrangements and some economic concessions could serve to obtain some alleviation on both issues on a *quid pro quo* basis.³⁴³

The OEEC officials and some delegates (i.e., the American delegate) suggested that the Spanish delegation un-officially work towards membership with the progressive liberalisation and simplification of the multiple exchange-rate system in order to reach, at least, the level of the Austrian system (which the OEEC had admitted in totally

³⁴⁰. AD, DE-CE 1945-1960, vol. 371: DG of Economic and Financial Affairs, Economic Cooperation Office at the French Ministry of Foreign Affairs: "Note a.s. aspects économiques de l'admission éventuelle de l'Espagne à l'OEEC", Paris, 25 August 1956.

³⁴¹. AD, DE-CE 1945-1960, vol. 371: DG of European Policy, Under-Direction of Southern Europe, "Note pour le Secrétaire Général a.s. admission de l'Espagne à l'OEEC", Paris, 28 July 1956.

³⁴². PRO, CAB 134/1019: MAC(53)271(Addendum): "Spain and the OEEC. Note by the Secretaries", 4 January 1954; PRO, FO 371/130343: INTEL no. 214, 5 December 1955.

³⁴³. The Spanish Government was involved in a series of diplomatic skirmishes with France and the United Kingdom. France's difficulties in Morocco served Spain to negotiate all outstanding differences between the two countries, in particular, the opposition refugees in France. The campaign for the return of Gibraltar, which became a strong internal propaganda weapon, inevitably casted its shadow on the improvement in Hispano-British relations since Winston Churchill again became Prime Minister in November 1951. On the question of Gibraltar see references provided by Juan Carlos Pereira Castañares: "Las relaciones entre España y Gran Bretaña en la época contemporánea", and María Elena del Pozo Manzano: "Gibraltar en el marco de la firma de los acuerdos hispano-norteamericanos de Septiembre 1953", both in *Bulletin d'histoire contemporaine de l'Espagne*, no. 8-9, June 1989, pp. 15-28 (in particular pp. 19 ff.) and pp. 52-55, respectively. The most recent work on the matter is D.S. Morris and R.H. Haigh: *Britain, Spain and Gibraltar, 1945-1990: The Eternal Triangle*, London [Routledge] 1992.

different circumstances).³⁴⁴ Lists of commodities for liberalisation were immediately drafted, proposals to simplify the multiple exchange rate system and to apply a unified exchange rate to liberalise imports were analysed and studies to update tariff protection were initiated.³⁴⁵ The few items "liberalised" during 1955 (5 to 10 per cent of Spain's import trade in 1955) did not comply with the OEEC requirements. Although licences for these commodities were issued more quickly than for the "non-liberalised" goods, considerable difficulties and delays existed in making foreign exchange available.³⁴⁶ Despite all this, there seemed to be a real Spanish commitment to move in the right direction, which changed the debate concerning possible Spanish membership of the OEEC.

The British Cabinet decided to support Spain's admission to the OEEC, "provided Spain is able to satisfy the organisation of her willingness and ability to comply with OEEC practices."³⁴⁷ Strengthened by the British blessings, the Spanish Government made public its official desire to be more closely associated with the OEEC.³⁴⁸ The Belgian and Scandinavian delegations opposed the modification of the Spanish relationship with the OEEC, while Italy, Portugal, the Federal Republic of Germany and Switzerland recommended, at least, its discussion.³⁴⁹ Argüelles recalled the need for progressiveness in the elimination of all Spanish controls involving trade and payments, which had been installed, he said, for the sake of economic reconstruction in a country

³⁴⁴. AGA, C/36869: Francisco Javier Elorza y Echaniz, Marquis of Nerva, Vice-President of the OEEC Spanish delegation, to Argüelles, Paris, 21 July 1955.

³⁴⁵. Ibid., "Relación de mercancías consideradas en la reunión de ayer presidida por el Ilmo. Sr. Subsecretario de Comercio", 27 September 1955. The liberalisation list included spices, tea, rubber, watches, gomme laque, noir de fumée and grains de sémence.

³⁴⁶. PRO, CAB 134/1026: MAC(55)44, "Admission of Spain into OEEC", 26 October 1955. The import licence itself was not contrary to the OEEC practices provided it was granted automatically and followed by the automatic attribution of the foreign currency needed.

³⁴⁷. PRO, CAB 134/1030: MAC(55)205, "Admission of Spain to the OEEC. Note by the FO", 20 October 1955, which the British Ambassador in Madrid was to communicate to the Spanish Government at the end of the month.

³⁴⁸. Elorza to Ellis Rees, cit. in AD, DE-CE 1945-1960, vol. 371: Despatch by F. Valéry, General Director of Economic Affairs and Finances at the French Ministry of Foreign Affairs, to the Head of the French delegation to the OEEC, 3 November 1955.

³⁴⁹. Ibid., "Note pour le Président. L'Espagne et l'OEEC", 3 December 1955, and Telegram from René Massigli, on a meeting of heads of delegations on 6 December, Paris, 15 December.

without foreign assistance and which could not be eliminated overnight. In other words, the OEEC should not request the Spanish Government a percentage of import liberalisation which could endanger Spain's balance of payments position, though the Spanish Government was willing to increase it as the economic conditions in the country improved. The initial import liberalisation percentage that the Spanish Government was willing to accept was estimated at 25 percent.³⁵⁰

In January 1956, after the British insistence had overcome over-riding objections of a general character, the OEEC Council approved the proposal for an agreement in principle to examine the Spanish economic situation to enable the OEEC to form an opinion on whether Spain was able and willing to fulfil the obligations which membership entailed.³⁵¹ In March, the OEEC Council agreed to the establishment of a working party for a detailed inquiry into Spain's economic situation and into the regulations governing trade and payments. Its report was to enable the OEEC to judge to what extent Spain could comply with the OEEC practices and was ripe for closer association. Much care was taken to make no political point in either direction. The study of Spain's economic conditions did not commit the OEEC to any specific form of "closer association", but equally, on the Spanish side, there were no prior political conditions to be fulfilled.³⁵² The OEEC had discovered its clear economic vocation.

Unfortunately for the Spanish perspective, the reports revealed that Spain was in

³⁵⁰. Argüelles to the Italian Commercial Counsellor recorded in ASMAE, Italian Delegation to the OEEC, b. 5: "Eventuale partecipazione della Spagna all'O.E.C.E. e all'Unione Europea dei Pagamenti", 30 December 1955.

³⁵¹. AD, DE-CE 1945-1960, vol. 371: "Draft Minute on the Association of Spain's in the work of the Organisation", 6 January 1956. The British originally proposed giving Spain a full observer status on all plenary committees and Belgium was the only one to oppose it. A chronology of events leading to Spain's association to the OEEC can be found in Pedro Temboury: "España asociada a la OECE", Revista de Política Internacional, February 1958, pp. 79-88.

³⁵². AGA, C/36955: OEEC C/WP 11/W(56)2 1st Rev., "Association of Spain in the work of the Organisation. Main obligations of membership and questions to be put to the Spanish Delegation", Paris, 4 May 1956. The French and the Belgians had agreed that, in case the result of the inquest was disastrous, the observer status be used as a consolation premium; AD, DE-CE 1945-1960, vol. 371: "Note urgente pour le Conseil des Ministres de mercredi. L'Espagne et l'OECE", 13 February 1956, "Note pour le Ministre. Discussions officieuses du problème espagnol à l'OECE lors de la sésion ministérielle", 25 February 1956.

no position to implement suitable trade and payments policies, i.e., the establishment of a unified exchange rate and the implementation of an effective liberalisation of imports. The original Spanish plans had been to continue with a cautious import trade liberalisation during 1956, but further liberalisation was postponed. As regards multiple exchange rates, despite the fact that the Spanish authorities had informed the OEEC that they aimed ultimately at unification of rates, progress was limited to the reduction of the number of exchange rates in force. The introduction of a single rate was not contemplated. As we shall see, the Spanish Government's combined reserves of gold and foreign exchange did not allow them to make any progress towards complying with the OEEC trade and payments practices.³⁵³

The cold weather during the early months of the year, which damaged several crops (particularly citrus fruit) and decreased foreign currency earnings, was the immediate cause put forward by the Spanish authorities and to an extent accepted by foreign observers.³⁵⁴ The Spanish authorities estimated a loss of foreign currency earnings of about \$100-120 million and the Minister of Commerce asked for immediate import restrictions and the implementation of the necessary mechanisms to force other exports.³⁵⁵ Modest liberalisation seemed only possible as long as weather conditions remained favourable, since the volume of both imports and exports of agricultural goods played a decisive role in determining the volume of earnings available to support new schemes.

³⁵³. AGA, C/36622, folder 2: OECE, C/WP11/W(56)5, "Statements by the Spanish Delegation on Commodity Trade Policies", June 1956; AD, DE-CE 1945-1960, vol. 371: OEEC, C(56)201, "Association of Spain in the work of the Organisation. Report of the Special Working Party of the Council", Annex A, "The Economic Situation of Spain", Paris, 25 July 1956, and the Economic Cooperation Office of the DG of Economic and Financial Affairs at the French Ministry of Foreign Affairs, "Note a.s. Aspects économiques de l'admission éventuelle de l'Espagne à l'OECE", Paris, 25 August 1956; and, PRO, FO 371/130322: "Annual Review of Spain for 1956", Ivo Mallet, British Embassy in Madrid, to Selwyng Lloyd, 16 January 1957. The initial proposals to update the tariff level of protection were suspended until July 1957; Antonio Alonso: "El sector exterior", in José Luis García Delgado (dir.): España. Economía, Madrid [Espasa-Calpe] 1988, pp. 273-365, p. 275.

³⁵⁴. i.e., PRO, FO 371/124124: "Spain: Annual Review for 1955", Mallet to Selwyng Lloyd, Madrid, 14 February 1956, and OEEC Working Party on the association of Spain in the work of the OEEC, document OEEC Council (56)201, cit., 25 July 1956.

³⁵⁵. Viñas et al., Política Comercial en España, cit., vol. 2, pp. .

The source of real difficulties did not come from the export side, as the Spanish authorities contended. Spain's balance-of-payments difficulties came from the increased import demand and the impossibility of financing the consequent deficit (see table 7.6). Spain's balance of payments vis-à-vis the OEEC countries maintained its credit position in 1953 and (slightly increased) 1954. The deficit appeared in 1955 and increased substantially in 1956. In the latter year, Spain's overall balance-of-payments deficit consisted of \$4.3 and \$73 million with the dollar and the EPU areas, respectively (only partially compensated by a \$11.3 million surplus with the rest of the world). The deficit with the EPU area was not the result of a disastrous export performance as had been forecast early in the year. Commodity exports maintained the level of earnings and total receipts increased by \$16.5 millions. Tourist earnings continuously increased but did not enable Spain to maintain the equilibrium. The responsibility for the deficit corresponded to an import bill increased by \$63.8 millions (timed most unfortunately with an approximately \$35 million drop in the export of citrus fruits).

TABLE 7.6

SPAIN'S BALANCE OF PAYMENTS WITH THE OEEC COUNTRIES, 1954-1956
(in dollars)

	1954	1955	1956
IMPORTS c.i.f.	288,520,807	311,551,479	364,509,029
OTHER EXPENSES	56,063,223	55,212,756	66,027,813
TOTAL EXPENDITURE	344,584,030	366,764,235	430,536,842
EXPORTS f.o.b.	271,751,245	240,230,631	241,024,405
OTHER RETURNS	88,723,745*	100,781,331	116,458,511
TOTAL RECEIPTS	360,474,990	341,011,962	357,482,916
BALANCE	+15,890,960	-25,752,273	-73,053,926

Source: AGA, C/36622: OEEC, C/WP11/W(56)15, "Working Party No. 11 of the Council. Association of Spain in the work of the Organisation. Balance of Payments with Member Countries in 1949 and 1954", Paris 23 May 1956; *ibid.* for 1955, 6 June 1956; and AHBE, IEME, box no. 54: "Balanza General de Pagos del año 1956". Spain refers to metropolitan Spain, the Balearic and Canary Islands, Ceuta and Melilla. (*) It includes French and British credits for a total amount of \$11,614,286.

Again, the considerable import potential of the country brought to light the main difficulty of the Spanish economy: the impossibility of financing the necessary imports which would help Spanish manufactured goods to meet foreign competition and make the support provided by exchange-rate manipulations unnecessary. The different controls maintained imports (during 1951 to 1955) at between 1/6 of the OEEC per capita average

import level, 1/3 of that of Italy and half of those of Greece and Portugal.³⁵⁶ The permanent deficit with EPU was due to the lack of any real change in Spain's foreign trade composition. Imports consisted mainly of machinery, vehicles and raw materials, while exports involved foodstuffs and some mineral ores.

The reserves of convertible exchange and gold that the Spanish had been carefully building up in the previous years drained in few months. Levels dropped from \$225 million to \$155 million between December of 1955 and 1956, with a drop of \$70 million in reserves of dollars and free Swiss Francs.³⁵⁷ While reserves amounted to the equivalent of 43.5 per cent of the total value of imports during 1955, they amounted to 27 per cent a year later. Spain's gold reserves and foreign exchange holdings were negligible when compared with the country's foreign debt. By April 1956, the reserves (gold and convertible exchange lessened by deficits in other currencies) amounted to \$220.8 million, while the foreign debt amounted to \$163.2 million.³⁵⁸ Under these financial circumstances and facing a large and continuing deficit, especially if the country continued to liberalise imports from OEEC countries, Spain continued with its rigid selective controls on imports to improve its balance-of-payments position concerning the EPU area.

³⁵⁶. AD, DE-CE 1945-1960, vol. 371: OEEC, C(56)201, Conseil "Association de l'Espagne aux travaux de l'Organisation. Rapport du Groupe de Travail Spécial du Conseil", Annex A, 25 July 1956, p. 11.

³⁵⁷. Data on Spain's reserves of gold and foreign currency is amazingly contradictory. The mutual appreciation done by the IEME and the Bank of Spain of their respective reserves of gold differed strongly. For instance, while the IEME reported that the Bank held gold reserves for the equivalent of \$46.8 million at the end of 1955, the Bank itself announced \$56 million. Equally, while the latter announced that the IEME's gold reserves amounted to the equivalent of \$76 million by the end of 1955, the IEME itself estimated its gold reserves at \$66 million. Consequently, the total amount of gold reserves differed: the equivalent of \$118 million for the IEME and \$132 million for the Bank. Fortunately, both sources agreed concerning reserves of dollars and free Swiss francs the equivalent of \$93 by December 1955. The reserves in other non-convertible currencies amounted to a deficit of \$15 million. The figure of \$225 million, as Spain's reserves of gold and convertible exchange, corresponds to Banco de España: Informe sobre la evolución de la economía española en 1957, Madrid, 1959. This source was preferred over the figure of \$210.5, drafted by the IEME, as presented by the OEEC Spanish delegation to the OEEC working party (C(56)201, annexe A, p. 31) because the IEME had a clear interest in undervaluing the level of the country's reserves in order to stress its financial difficulties.

³⁵⁸. AD, DE-CE 1945-1960, vol. 371: OEEC, C(56)201, Conseil "Association de l'Espagne aux travaux de l'Organisation. Rapport du Groupe de Travail Spécial du Conseil", Annex A, 25 July 1956, pp. 31-32. Excluding some debts with Argentina.

The Spanish Government demanded help from OEEC members and the United States. OEEC members were asked to grant (before EPU membership) currency transferability of a certain percentage of Spain's bilateral deficits with EPU members. In compensation, without the provision of membership, the Spanish Government would agree to an annual economic inspection by OEEC experts and to receiving recommendations.³⁵⁹ This meant a half-way house to multilateralism, which the Spanish authorities believed was necessary to adopt less discriminatory practices (global quotas and higher liberalisation percentage) and to grant a multilateral character to its import policy. By means of a bilateral agreement with its OEEC trading partners (but without holding an EPU quota), Spain would be allowed to use part of its earnings from these countries multilaterally, eliminating the need to maintain a continuous balance with each of the monetary areas involved, since transactions between the Spanish monetary area and most OEEC member countries were settled through clearing accounts.³⁶⁰

On the American side, in June 1956, Spanish Foreign Minister Martín Artajo reclaimed in Washington a re-distribution of counterpart funds in favour of the Spanish economy and an increase of raw materials and capital goods in the commodity composition of purchasing authorisations. On the one side, as it has been explained already, not only the proportion of counterpart funds at the disposal of the Spanish Government was reduced (30 per cent), but it was also committed to investment in bilaterally agreed projects with direct benefit to the military programme (transport, munitions and military material industries).³⁶¹ On the other side, according to Artajo, 63.5 per cent of the economic aid authorised by the Congress of the United States after the signature of the Agreements of September 1953 (including funds under P.L. 480) was assigned to agricultural surpluses, a proportion which appeared as "excessive by any

³⁵⁹. AD, DE-CE 1945-1960, vol. 371: OEEC C(56)192, Elorza to Ellis-Rees, Paris, 11 July 1956.

³⁶⁰. This position was adopted by the special working party studying possible measures for the closer association of Spain with the OEEC, who considered Spain's direct access to the EPU as a source of innumerable problems; AD, DE-CE 1945-1960, vol. 371: OEEC, C(56)201, Conseil "Association de l'Espagne aux travaux de l'Organisation. Rapport du Groupe de Travail Spécial du Conseil", Annex A, 25 July 1956.

³⁶¹. See chapter four, pp. 304-305 and 323 ff.

yardstick".³⁶² In August 1956, Artajo went even further and asked directly for approximately \$325 million of financial assistance: \$200 million destined to finance the immediate impact of an average level of import liberalisation according to the OEEC pattern, \$50 million worth of American agricultural surpluses to be sold in different markets by the Spanish Government, which would refund the United States Government in pesetas and finally, undetermined amounts in different currencies to pay off some of the then existing deficits in the clearing accounts with OEEC members.³⁶³

The Spanish Government argued to have initiated import liberalisation and the elimination of other financial restrictions, but that their financial resources alone were insufficient, particularly after the frosts had decreased the expected earnings of foreign exchange and reduced the amount of reserves. The assistance was requested explicitly to reduce economic intervention in order to move towards trade and payments multilateralisation and, for the United States Government, to comply with some of the principles inscribed in the Economic Aid Agreement of September 1953.³⁶⁴

According to Carrero Blanco, the \$60 million authorised for FY 1956 represented barely 50 per cent of the estimated loss of foreign currency earnings due to the damage caused to the crops by frosts.³⁶⁵ Carrero explained to Lodge that frosts had reduced the

³⁶². MAE, Leg. 7741, exp. 3: Artajo to John D. Lodge (U.S. Ambassador to Spain from March 1955), Madrid, 21 June 1956; English translation in *FRUS*, 1955-1957, XXVII, p. 575.

³⁶³. MAE, Leg. 5883, exp. 4: Artajo to John Lodge, the United States Ambassador to Spain, Saint Sebastian, 31 August 1956. Observing that the Spanish Government mobilised \$74 million to pay off part of its bilateral deficits with some of the OEEC members (Viñas et al., op. cit., vol. 2, p. 858), this is the amount used to calculate the initial total figure of financial assistance of \$325 million. With respect to the United States economic aid programme for Spain, the reader should consider that of the \$320 million worth of funds authorised for fiscal years 1954, 1955 and 1956 (including Public Law 480 programme of approximately \$100 million), a total of approximately \$146 million had been disbursed by April 1956, leaving a total of \$174 million worth of goods yet to be delivered; *FRUS*, 1955-1957, vol. 27, Memorandum of Conversation between the United States Secretary of State and Ambassador to Spain and the Spanish Minister of Foreign Affairs and Ambassador to the United States, with their respective teams, Department of State, Washington, 10 April 1956, p. 566.

³⁶⁴. According to a subsequent report, the Americans answered negatively in 2 October; MAE, Leg. 4618, exp. 16: Report on USA-Spain relations, Madrid, 26 April 1957.

³⁶⁵. MAE, Leg. 10078, exp. 24: Luis Carrero Blanco to Ambassador Lodge, Madrid, 13 November 1956.

financial resources normally available for imports, with a direct effect on the clearing balances with Western Europe and on Spain's future relation with the OEEC. This, in turn, had diminished the possibilities to purchase capital goods during the following two years, unless the Spanish authorities could pay in gold or dollar. Therefore, Carrero asked for an aid programme of \$30 million additional to the funds granted to Spain by the U.S. Congress under the terms of the Mutual Security Act. This additional aid would have been programmed to purchase raw materials (coal, scrap, copper, aluminium, and steel products) in order to sustain demand, break bottlenecks and black markets prices.³⁶⁶

The different Governments disregarded the Spanish request for financial assistance to consolidate the initial steps in the direction which these same Governments had been indicating to the Spanish Government since 1947. The American response was particularly disappointing. The authorities in Washington exclusively agreed to increase to 70 per cent the portion of the proceeds from Public Law 480 sales of agricultural surpluses loaned to Spain under the programme of FY 1957.³⁶⁷ This assistance would have eased little the situation of the Spanish balance of payments to solve the immediate consequences of any degree of import liberalisation. The fact itself that Spain had initiated collaboration with the OEEC, whose rules were totally incompatible with the Spanish practices in trade and payments, should have persuaded the United States and other countries' Governments that Spain finally intended to adopt more liberal practices.

The response from the executive branch of the American Government was to increase by \$20 million the \$50 million of Congressional authorisations for economic, technical and military assistance for Spain through FY 1957. There is no secret to decipher the United States Government attitude. As it has been explained previously, the

³⁶⁶. MAE, Leg. 10078, exp. 24: Artajo to Lodge, 1 December 1956. The intended allocation of Carrero's \$30 million was as following (in millions): copper \$6, scrap \$5, coal \$4, aluminium \$2.5, steel products \$3, miscellaneous \$9.5 (for the basis of this programme see Viñas et al., op. cit., p. 794). Between June 1953 and June 1958 the following amounts were purchased with American funds (in millions): copper \$4.14, scrap \$3.02, coal \$5.21, aluminium \$1.91. Cotton represented the lion's part in the commodity composition of dollar-aid purchasing programme (\$19.94); MAE, Leg. 5519: "Ayuda o asistencia a España", cit.

³⁶⁷. FRUS, 1955-1957, vol. 27, Letter from Ambassador Lodge to Artajo, Madrid, 5 October 1956, p. 576.

latter's objectives in Spain, in terms of economic aid, were limited to insure internal stability so that the use of the military facilities in Spain would not be jeopardized by civil disorders. This programme required the granting of minimum amounts of economic aid to assist the Spanish authorities in achieving stability and growth while the United States maintained necessary military forces. It was only in October 1957 that the prospect of using aid programmes for Spain to obtain positive action by the Spanish Government toward stabilising the economy reappeared as a goal to be actively pursued in the United States' policy toward Spain.³⁶⁸

On the European side, the OEEC working parties' reports recognised the existence of a real change of direction in the Spanish economy, limited by the situation in the Spanish balance of payments. Notwithstanding this, instead of providing for limited transferability of their deficits with Spain, the different OEEC members reduced their commercial credits to Spain. The clearing agreements concluded by Spain with the OEEC countries provided for credit lines corresponding to the equivalent of about \$27.5 million in all, during 1956, whereas they had been approximately \$66 million a year before.³⁶⁹ This attitude might have corresponded to a general desire to avoid negotiating outstanding surpluses of the clearing accounts in case Spain acceded to the EPU or any new monetary agreement. The reserves of convertible exchange had seriously dropped to \$23 million at the end of 1956, leading to renewed efforts to contend the import level as well as to draw on IEME gold reserves. Previously, the National Foreign Exchange Institute had been able to maintain a precarious balance without drawing on the Bank of Spain for its support due to strict import controls.

The option of Spanish OEEC membership disappeared at the OEEC Council level after October 1956, even for those who had previously supported it, i.e., Austria, Ireland, Portugal, Turkey and the United Kingdom. A special agreement for closer collaboration received more attention and Spain was invited to continue implementing a non-discriminatory import policy, to submit a development plan and to suggest the means to

³⁶⁸. See chapter four, pp. 337 ff.

³⁶⁹. C/WP11/W(56)2, Annex A, cit., p. 37

multilateralise its deficit with the OEEC.³⁷⁰ New working parties were set up to work at the decisions in more detail and to present a proposition on the subject of Spanish association to the OEEC, which was to be the object of further negotiations with the Spanish Government.³⁷¹ In December 1957, after considering the new report, the OEEC Council proposed to grant an associate-membership to Spain and to progressively replace the network of bilateral agreements with OEEC members by a single multilateral agreement. The Spanish Government finally signed an association agreement with the OEEC on 10 January 1958.³⁷² The OEEC member states and Spain agreed to progressively take measures to eliminate restrictions on their trade and invisible transactions as much as their economic and financial position permitted and considering similar efforts made by the other party. Spain was committed to proposing a first programme of trade and payments liberalisation. Finally, in 1959, with the reorganisation of that body into the OECD, Spain became a full member and presented a Stabilisation Programme in July, drafted with the help of an OEEC mission, which travelled to Spain in December 1959.³⁷³

The last section of this chapter has dealt exclusively with the first steps of a long and costly process of liberalisation. The sharp perception of the new post-February 1957 ministerial personnel of the international setting and of the situation of the Spanish economy were not, at least exclusively, the factors which led to the rapid response of the international community to the official request for financial aid to stabilise the economy in 1959.³⁷⁴ There were sectors within the Spanish Administration which had supported

³⁷⁰. AD, DE-CE 1945-1960, vol. 371: OEEC C(56)201, "Association de l'Espagne aux travaux de l'Organisation. Rapport du Groupe de Travail Spécial du Conseil", Annex A, "La situation économique de l'Espagne", 26 July 1956; and Quai d'Orsay to French Embassy in Madrid, 10 October 1956.

³⁷¹. Ibid, Quai d'Orsay to French Embassy in Madrid, 25 October 1956.

³⁷². Text reproduced in Temboury, art. cit., pp. 83-86.

³⁷³. For an account of Spain's entry into the OEEC see Elorza: "La O.E.C.E y España", Cuadernos de la Escuela Diplomática, vol. 1, 1960, pp. 9-58.

³⁷⁴. i.e., Mariano Navarro Rubio: "La batalla de la estabilización", Anales de la Real Academia de Ciencias Morales y Políticas, no. 53, Madrid, 1976; Joan Sardá Dexeus: "Prólogo a la primera edición", in Joan Clavera et al.: Capitalismo español: de la autarquía a la estabilización (1939-1959), 2nd ed., [Cuadernos para el Diálogo], Madrid, 1978, pp. 13-21; Enrique Fuentes Quintana: a) "El Plan de Estabilización económica de 1959, veinticinco años después", Información Comercial Española, nos. 612-13, 1984, pp. 25-40; and b) "Tres decenios de economía española en perspectiva", in José Luis García

for years the economic options implemented at the end of the decade. Due to participation in the OEEC agricultural structure, the Spanish delegation to the OEEC could hold discussions with OEEC officials as well as bilaterally with most national delegations since the beginning of 1955. By the time the new Cabinet reached office, the official Spanish position was clearly favourable to the progressive dismantling of controls and the then existing bilateral system of trade and payments.³⁷⁵

Spain's association with the OEEC produced growing awareness of the dangers of economic isolation. The long process of bringing Spain back into the realm of European economic cooperation formed the basis that determined the economic policy adopted at the end of the 1950's. The OEEC, the EPU, the ECSC, the Green Pool and cooperation in transport represented a *learning* process in which the Spanish Administration became aware of its entanglement in a situation of strategic interdependence.³⁷⁶

It is my understanding that what the Green Pool experience revealed should also be estimated in a long-term perspective. The Spanish Government officially requested the opening of negotiations with the EEC to examine the possibilities of association and future membership, when the EEC Council of Ministers was discussing the first package of measures on a common market organisation.³⁷⁷ The Spanish had learned their lesson and rapidly recognised the discriminatory nature against imports from third countries of any system of minimum prices of reference and any attempt to impose regulation of

Delgado (dir.): España. Economía, Madrid [Espasa Calpe] 1988, pp. 1-75.

³⁷⁵. Contrary to my arguments, some authors draw "a causal relationship" between the signature of the military agreements between Spain and the United States for the use of bases and the acceleration of the country's economic transformation and Spain's economic liberalisation measures of 1959. Most clearly and recently expressed by R. Richard Rubottom and J. Carter Murphy: Spain and the United States Since World War II, New York [Praeger] 1984, pp. 1 and 64.

³⁷⁶. The idea of a learning process has been borrowed from Ernst B. Haas, "Why Collaborate? Issue-Linkage and International Regimes", World Politics, no. 32, April 1980, p. 390.

³⁷⁷. Which became Council Regulations (EEC) no. 23/62 on the progressive establishment of a common market organisation in cereals, pig-meat, eggs, fruit and vegetables, and wine, and on the financing of the common agricultural policy, Official Journal of the European Communities no. 965/62 of 20 April 1962.

qualities and markets. The official motivation supporting the request, as it was in the early 1950s, was the essential agricultural character of Spanish exports to the Six, which financed the economic development of the country.³⁷⁸ The lessons the Spanish Administration learned from the difficulties and results of the Green Pool negotiations constitute a key element to understanding the very nature of the Stabilisation Plan starting in 1959 and the reasons behind the 1962 EEC membership request. The legacy of Spanish Green Pool membership is by no means negligible!

7.6. Conclusions

The term *Green Pool* and the idea of a *European Agricultural Community* covered possibilities ranging from a fully supranational organisation to a set of interlocked preferential agreements covering several commodities. The lack of unanimous consensus reflected a point of special interest to explain Spanish participation. The negotiations naturally excluded the Spanish Government until the struggle to reach a common denominator among and within participating countries had dragged the initiative not only away from supranationality but to the lowest imaginable level of consensus.

Subsequent events historically shadowed the Green Pool issue. The Concordat with the Vatican was presented as the existing confidence of Spain's rulers in the messianic mission of Spain as the outstanding champion of Christendom in withstanding the Communist menace. The bilateral agreement with the United States Government, providing them with bases in exchange for economic aid, represented the alignment with the West in the defence of the non-Communist world. Moreover, it happened that any advantageous statement made by a foreign statesman and quoted by the press and radio was very often worth more to the Spanish Government than a technical achievement which could not be translated into propaganda terms. However, this case-study provides grounds for two further important considerations.

³⁷⁸. "Carta del Ministro español de Asuntos Exteriores al Presidente del Consejo de Ministros de la Comunidad Económica Europea (Maurice Couve de Murville), 9 de Febrero de 1962", reproduced in Antonio Truyol y Serra: La integración europea. Idea y realidad, Madrid [Tecnos] 1972, pp. 157-58.

On the political side, this chapter strongly denies the idea that in foreign policy the Spanish Government opted for the European alternative only after 1957.³⁷⁹ It also contradicts the idea that the post-1957 period represents the only conscious attempt to articulate a foreign policy to forge external circumstances in line with the country's interests.³⁸⁰ This research has given a detailed account which confirms that both premises can be applied at an earlier stage. Furthermore, the Green Pool experience contradicts the traditional view that Spain paid no attention, or felt absolutely unable to formalise responses, to the integrating initiatives taking place in Western Europe during the 1950s. In that case, Spain did react, obtained favourable results and, what is more, was able to participate and promote its own economic and political interests.

The Green Pool issue also shows the limits of Spain's traditional foreign action mechanisms. The instruments of foreign policy, dominated exclusively by the Ministry of Foreign Affairs (the only policy-option available), were totally unable to deal with economic multilateralism. The impressive diplomatic effort displayed by the Ministry of Foreign Affairs had no influence on the outcome of the negotiations. Spain's diplomatic effort deserves recognition only for the continuous persistence on Spain's request for membership. The Green Pool issue could not be dealt with simply as a diplomatic objective. Nor could commercial policy, limited to the administrative aspects of foreign economic relations, properly handle the complexities of the Green Pool. Multilateral negotiations were far more complex than the bilateral bargaining negotiations the Spanish Ministry of Foreign Affairs was used to dealing with.

The Spanish Administration was, as elsewhere, far from being a monolithic entity. *Administrative unity* implies a unified national interest. Spain's involvement in European economic cooperation brought about relevant differences within its administration when defining the *national interest*. When the several departments involved in foreign economic matters presented a different interpretation of the national

³⁷⁹. An opposite vision is presented by, among others, William T. Salisbury: "Spain and Europe: the economic realities", in Salisbury and James D. Theberge (eds.): Spain in the 1970s, New York [Praeger] 1976, pp. 33-47.

³⁸⁰. An opposite vision is expressed by, among others, Roberto Mesa: Democracia y política exterior en España, Madrid [Eudema] 1988, p. 27.

interest, unity disappeared and a disparity of aims appeared on essential foreign economic policy measures among ministers and corps of civil servants. The so-called technical departments tried to obtain as much as they could by attracting matters into their limited spheres of responsibility, that is, the technical aspects of foreign economic policy. By acting in this way they attempted to reduce the political element involved in foreign economic policy and thus to eliminate the most obvious obstacle to Spain's international economic cooperation.

The Green Pool issue highlighted the Ministry of Foreign Affairs' fears of losing ground in the administrative distribution of power. A split between technical and political matters involved the risk of losing power and competence in foreign policy. When foreign economic policy increasingly became the dominant aspect of the nation's foreign policy, the technical ministries argued for better-prepared professionals to deal with foreign economic matters. Spain's Ministry of Foreign Affairs regarded increasing European economic interdependence as a direct threat:

"The federalist trend [that France] pushes forward has the tendency to reduce the Ministries of Foreign Affairs' prerogatives by increasing direct contacts among the technical administrations in each field."³⁰

A fresh outline of future economic options only appeared when economic experts had freedom in the WP's. This meant breaking out the strait-jacket imposed by the guide-lines of the Ministry of Foreign Affairs reflecting the international political situation of the Franco regime.

The main result of unilateral action by diplomats, even beyond the limits imposed by the Council of Ministers, was the imposition of political considerations. This chapter shows how diplomats, using the prerogatives of its privileged position in foreign matters to extremes abandoned economic criteria and replaced them with the political guide-lines of foreign policy. When calling for "maximal prudence" concerning European economic integration "not to compromise the higher interests of Spain's foreign policy", the Ministry of Foreign Affairs was not talking about the national interest but exclusively

³⁰. MAE, Leg. 3445, exp. 24: "Pool Verde", n/d.

about personal survival.³⁸² The *tour de force* maintained with the Under-Secretariat of Foreign Economy should be considered in the framework of the struggle to dominate foreign economic policy. With the establishment of the DG for International Organisations, the Under-Secretary initiated a harmful body, which only ended with its dissolution in October 1957.³⁸³ In other words, after a decade, the design of the foreign economic machinery went back to the pre-1947 situation. Clearly departmental confrontation rendered the machinery designed to conduct the State's foreign economic relations inefficient. The first Spanish experience in multilateral affairs revealed the need for a proper State foreign economic policy. Collaboration between the department competent in foreign affairs and those directly interested in foreign economy became essential, although it could never be achieved in the 1950s due to administrative confrontation. The so-called *technocrats*, who came to power in 1957 and initiated drastic economic stabilisation would have taken good notice of it.

On the economic side, agriculture constitutes a relevant case-study of the Franco Regime's foreign economic policy and its effectiveness in reducing external constraints on the country's agricultural trade as part of a comprehensive strategy for economic development. Spanish-Green Pool experience shows the interaction between the domestic strategy for economic development and the State's foreign action.³⁸⁴ Official aspirations to increase domestic production were in complete dependency on the foreign performance of the economy for its financial resources. Export trade carried out the extremely important task of providing the economy with the required financial means to purchase essentials to sustain economic growth. Thus, when a vital source of exports and foreign

³⁸². MAE, Leg. 2334, exp. 18: Despatch no. 169 to the Minister of Agriculture, "Comisión española en reuniones Comité Interino Pool Verde", 22 April 1953.

³⁸³. As were the corps of councillors and attachés for foreign economy, Decree of the Presidency of the Government, 3 October 1957, BOE of 16th. After that, the economic attachés were appointed by the minister of foreign affairs both from the diplomatic as well as the commercial technical services. Once the Under-Secretariat was dissolved, its attributions were transferred to both ministries (Foreign Affairs and Commerce) according to the principle of direct responsibility and economic efficiency.

³⁸⁴. An interesting coincidence is that the first minister of foreign affairs in Mr González Cabinet, Fernando Morán, initiated his diplomatic career with a study on the Green Pool; "El proyecto de una comunidad agrícola europea y España", to be consulted at the Diplomatic School, Madrid, academic year 1953-54.

exchange was threatened and a real bottleneck for economic development appeared, Spain adopted a desperate, but ultimately successful, response. Even more, the attempts to open up the Spanish economy during the second half of the 1950s are linked to the relation (allowed by the Green Pool developments) of the most European-minded sectors of the Spanish Administration with the OEEC.

Undoubtedly, the Spanish Administration succeeded in limiting the impact of European integration in the field of agriculture. Spain managed to neutralise the OEEC's trade liberalisation scheme concerning agriculture (partly due to the failure of the scheme itself) and intervene in the debates to create a European Agricultural Community (or whatever was left of the idea). Green Pool membership had reinforced Spain's bargaining position on its particular bilateral trading in agricultural produce. Bilateralism meant that Spain's agricultural exports to Western Europe increased more rapidly from 1948 to 1955 (261 per cent) than those same exports to the world markets (167 per cent).³⁸⁵ Furthermore, the percentage of agricultural exports in the value of total exports increased and Spain accentuated its dependence on Western European agricultural demand. On a world basis, this figure rose from 49 per cent in 1949 to 55 per cent in 1955, while that for the OEEC (excluding Greece, Turkey and Portugal) increased from 51 per cent to 65 per cent. In the case of orange exports, while Spanish exports represented 72.3 per cent of the total volume of European orange and tangerine exports during 1948-52, this percentage increased to 83.8 per cent of Europe's total.³⁸⁶

The Spanish authorities had reached a position similar to the quadrature of the circle. On the one hand, even before they could celebrate their diplomatic success, the liberalisation debate involved the Administration in a long-term process of confrontation on basic economic options, which could not be solved for many years. It is not surprising that the Green Pool precipitated this debate. Agricultural export trade was the only sector of the Spanish economy in which there could be general agreement on some degree of

³⁸⁵. Following official Spanish statistics on a weight basis. This is also valid for the following percentage figure on the text.

³⁸⁶. FAO: Yearbook of Food and Agricultural Statistics, Trade, Rome, 1957, vol. 11, part 2, p. 108.

greater liberalisation. For the rest, there were great difficulties as regards protectionism. On the other hand, the difficulties in harmonising national policies with a reasonable degree of freedom of trade remained as contentious and intractable as before the installation of the new agricultural bodies in the OEEC. While the latter continued to set up new working groups, the *relaunching* of agricultural integration was taking place within the Six. The original success of Spain's reaction towards integration in European agriculture could provide no guarantee for its equal treatment as regards future measures. In fact, the progressive establishment of a common market for agricultural products reproduced the Green Pool threat. The adoption of greater degrees of liberalisation, while Spain's major markets negotiated the formation of a common market, produced a new insoluble problem in the short run, as the Green Pool had done a decade earlier. The legacy of the Green Pool immediately warned the Spanish Administration of the potential danger of integration in agriculture. Spain's dependence on the EEC as its primary export market for agricultural goods and its impact on Spain's economic development provided compelling reasons for Spain to seek some arrangements with the Six a few years later. That is a long story and for me, a different story!

CONCLUSIONS

There is a unanimous belief that the post-1945 decade of Francoism was a period of intended isolation from democratic Europe. Therefore, the Spanish Administration would have disregarded efforts for European economic cooperation before 1957. It is only after the creation of the Common Market that a definitive clash between supporters of self-sufficiency and those espousing liberalisation would have taken place. As a result, those coming into power in 1957 -the so-called *technocrats*- would have been approved close economic ties with Western Europe. The immediate effect of the European Economic Community's success in affecting Spanish foreign trade would have impelled the Foreign Affairs Minister to present officially Spain's request for EEC admission in 1962. Stabilisation, liberalisation and economic integration with Western Europe are considered the stages of a new strategy for economic growth.

This thesis proves that the Spanish Administration watched closely as the Western European countries edged towards economic interdependence between 1945 and 1955, and then reacted accordingly. It also shows that trade relations between Spain and Western Europe provided the means for the international recognition of the Franco regime. But this thesis also shows that foreign policy and foreign economic relations aimed at the promotion of domestic economic policies in Spain and not exclusively for the political survival of Francoism. Finally, this study demonstrates that, well before 1957, some sectors of the Spanish Administration considered stabilisation, liberalisation, and economic cooperation with Western Europe to be the correct strategy for economic growth. In sum, this thesis contributes to a better understanding of Francoism.

The predicament of the European economies in the aftermath of World War II favoured the permanence of the Franco regime. Despite the nature of the Spanish political system, Western Europe needed Spanish resources for relief and reconstruction. The Spanish economic position, as net exporter of goods in short supply at the time, eclipsed the political antipathy towards the Franco regime. As far as possible, most governments in Western Europe tried to keep the issues of politics and trade separate, and attempted to conduct trade purely on business principles. The Allies deemed that Franco's disappearance from Spanish politics would have caused internal turmoil in Spain; in turn,

it would have disturbed the then important trade relations. Trade intensification replaced political retaliation.

Spain's position concerning the relief and reconstruction efforts of Western Europe provides an understanding of the Spanish response to subsequent events in the field of European economic cooperation. In the absence of major foreign obstacles to trade from 1945 to 1947, the Spanish Administration believed that political relations with Western European countries could be as correct as economically advantageous. The ideological content of the Marshall Plan disrupted this scheme.

The Spanish Government expected that Marshall Aid would stimulate economic recovery by providing for the modernisation of industrial structures. The Spanish offered to undertake a long-term process of economic stabilisation and trade liberalisation. This was conditional upon assistance to finance the supply of raw materials and machinery needed to break bottlenecks and to initiate a long-term economic adjustment. Spain's exclusion from the European Recovery Program eliminated the possibility of any radical change in foreign economic policy. The inclusion of Spain among the list of ERP countries or other concession of assistance outside the Marshall Plan arrangements (a viable possibility) would most certainly have helped to end the country's economic isolation a decade earlier.

Spain's poor economic performance during the late 1940s was not exclusively the result of domestic policy measures adopted in pursuit of economic isolation. This has been the main argument of post-1975 research on the period, in direct contradiction to the views of the regime's propagandists who exclusively stressed external constraints to economic recovery. This thesis reveals that the severity that characterised trade controls and currency intervention in Spain was due to the lack of financial resources and not to an ideological commitment to autarchy. The Spanish willingness to join the Marshall Plan implied, to a certain degree, a commitment to the American goal of a world-wide system of multilateral trade and payments. Foreign financial assistance would have allowed progressive economic liberalisation as early as 1947. However, the Western powers' insistence on linking inexorably the granting of financial assistance to political

democratisation, frustrated an earlier evolution of the Spanish economy towards any greater degree of liberalisation.

In historical perspective, the Allies' attitude was a total failure in practical terms. Excluding Spain from the Marshall Plan produced neither democratic evolution nor economic growth. On the contrary, it strengthened the authoritarian lines of the Francoist political system, and led to economic stagnation. Furthermore, the unsatisfied need for substantial financial assistance led the Spanish Government to enter into negotiations with the United States Government to trade the right to use military bases in exchange for dollar aid.

// The use of military bases on Spanish territory was the only policy option left to the Spanish Administration to obtain quickly substantial foreign economic assistance independently from political liberalisation. However, in spite of Spain's expectations for a general rehabilitation of the Spanish economy, the amounts earmarked for Spain were much reduced and allocated mainly for the construction of the bases. Spain's relations with the United States explain neither Spanish economic performance before 1955 nor the survival of the Franco regime. Furthermore, the belief that the United States played a role in promoting economic liberalisation and stabilisation in Spain (a common belief in Spanish historiography) is irreparably damaged by this research. Since 1947, the United States refused to accept the Spanish Government's argument that liberal economic practices had nothing to do with politics; when it finally accepted the Spanish reasoning, a decade later than when it was first formulated, it made a weak effort to support the Spanish stabilisation programme. The Spanish case during the 1940s and 1950s might be enlightening for political scientists studying the American reaction to similar processes 7/ taking place today.

Surprisingly, the significance of relations with the United States comes from the frustration which they produced. The Spanish economic authorities were forced to divert their attention from foreign financial assistance to exports and from short-term to long-term transformation of their economy. Eventually, trade relations with Western Europe provided necessary inputs for a long-term process of economic transformation. Spanish

industry was unable to substitute domestic production for imports and could not do without certain commodities which, at times, paralysed economic activity. The Spanish thus perceived progressive economic interdependence in Western Europe as a serious obstacle, although not an insurmountable one, to improving their trade performance. This was particularly true for agricultural exports which, as the country's principal source of foreign currency, were essential to the import substitution policy and for the favourable development of the economy as a whole.

The trade liberalisation programme of the Organisation for European Economic Cooperation had less of a negative impact on Spanish trade than might have been expected. Balance-of-payments difficulties in various Western European economies restricted the overall efficiency of trade liberalisation in the early 1950s. The programme failed especially in agricultural trade, while trade liberalisation in raw materials was extended to non-OEEC members. Traditional Spanish exports, dominated by raw materials and agricultural produce, were thus scarcely affected by the trade liberalisation programme promoted by the OEEC. Furthermore, some OEEC countries extended trade liberalisation measures to Spain.

The Schuman Plan did not further isolate Spain. Central European coal and steel were of scant interest to Spain given the inward-looking nature of Spanish coal and steel industries. Furthermore, the lack of a commercial policy by the European Coal and Steel Community diminished the immediate distortions of the very limited, but essential, trade flows between Spain and each of the six ECSC countries. This situation changed when integration expanded to high priority areas such as agriculture.

Inasmuch as Spain managed successfully to cohabit in the loose framework of early European cooperation, later initiatives based on supranationality appeared as threats to Spain's relations with Western European countries. In the end, attempts to set up European communities following the line of the Schuman Plan did not have negative effects on the Spanish economy. These initiatives did not fulfill their initial goals and Spain could participate in defence of its own interests. The Spanish Administration was able to overcome the potential negative implications of European cooperation in the

agricultural field, and continued to export agricultural products to Western Europe. In summary, the OEEC countries kept open for Spain the possibility to earn foreign currency. This reduced -via imports- some of the supply bottlenecks that had previously limited domestic production; prevented the collapse of the Spanish economy; and permitted modest sectorial growth and, thus, political stability. Spain's trade performance was not directly attributable to external discriminatory measures. On the contrary, exports depended upon output and domestic price levels, and imports relied upon payment facilities and the availability of foreign exchange.

The policy-making process concerned with European economic cooperation had significant implications. The various European economic initiatives involved several departments, and provided the grounds for disagreement on essential foreign economic policy measures. This confrontation impeded the implementation of a uniform policy which would have placed diplomats in a dominant role in foreign economic action. Conversely, competing ministerial bureaucracies determined the policies pursued by the Spanish Government to cope with the broad political and economic implications of European economic cooperation between 1947 and 1955. The technical ministries had a sufficient grasp of the situation to realise that a non-political attitude towards Europe would ease the transition to European economic practices, if the country was to benefit from the European economic expansion.

The Spanish Administration was effective in dealing with the challenge of European economic cooperation. The degree of success in establishing a basic measure of compatibility between domestic and international policy objectives, however, remains an open debate. This research can only assure that Spain's association with the OEEC produced a growing awareness of the dangers of economic isolation. The long process of bringing Spain back into the realm of European economic cooperation formed the base that determined the economic policy adopted at the end of the 1950s. The OEEC, the EPU, the ECSC, the Green Pool, and cooperation in transport represented a *learning* process in which the Spanish Administration became aware of its entanglement in a situation of strategic interdependence. After 1955, the idea that the Spanish economy should adapt itself to the European economy was a matter of public policy.

ARCHIVALIA

The need to reconstruct a basic network of bilateral relations between Spain and its main partners required the consultation of French and British archives. France's main documentary source concerning Spain is the historical archive of its Ministry of Foreign Affairs, the Quai d'Orsay. One qualification needs to be immediately made with respect to the latter. French diplomatic records come from an administrative division within the Quai d'Orsay, which dealt, at the time, mainly with diplomatic and political matters, the Under-Direction of Southern Europe. This fact has provoked an inflationary tendency towards the political element involved in bilateral relations. Historians have over stressed factors such as exile and the Spanish Republican pressure on French government and public opinion. This is especially the case if the French diplomatic records have been only compensated by records from the National Assembly. The five files disclosed at the Quai d'Orsay on Spain's economic affairs for the period 1945 to 1955 give a misleading impression of the importance of economics in Franco-Spanish relations. There has been no declassification of records concerning Spain from the General Directorate of Economic, Financial and Technical Affairs. Scholars on European economic cooperation have benefitted recently from these records but any early release concerning Spain seems unlikely.

The latter circumstance imposed to enlarge the range of records in order to explain Spain's intervention in the green pool episode and in European transport cooperation, which the French Cabinet initiated after the Schuman's proposal for a coal and steel community. Records from the Ministries of Agriculture and Public Works were necessary to understand the origins and nature of both initiatives. Records from the Archives Nationales, where the documentation concerning the Ministry of Agriculture is kept, and the Contemporary Archives, which houses the records from the Ministry of Public Works, enriched the diplomatic documentation. The consultation of these records was as intensive as was allowed. Despite a nominal thirty-year-rule, many valuable French documents, dating back to 1945, remain unreleased.

The research at the British Public Records Office benefitted from a lack of

geographical dispersion of and easier administrative access to records. The Foreign Office files are more informative in many respects than French diplomatic records. British policy-making machinery, with the system of Cabinet Committees, combined with the good organisation of Cabinet papers, easily reveals the spheres of policy-making going beyond diplomacy. Since the Board of Trade's views on Spain were essential in shaping British policy, its records were also considered. The files of the Ministry of Agriculture and Fisheries were consulted in an attempt to obtain a historical contemporary perception of the French green pool initiative. The Treasury's views on policy towards Spain and the British perception of the French proposal for transport coordination were followed through Cabinet Papers, which completed the inquiry at the PRO. The documentation collected at the PRO was complemented by the HMSO printing material from the EUI microfilm collection.

The most important source in Italy would have been the Ministry of Agriculture's records, since some Spanish and Italian agricultural export commodities competed on Western European markets. Unfortunately, these records are not open to research due to some legal problems with the country's Central Archive. The alternative was to consult the Italian Ministry of Foreign Affairs' archive on an ad hoc basis: the Marshall Plan, the OEEC liberalisation in agriculture and the green pool initiative. Another documentary source consulted in Italy was the European Community Archive, the main non-national archive concerning the European Coal and Steel Community. The interest was centered on the High Authority's foreign relations for the years 1952-1956.

The Spanish archives deserve here a more detailed consideration because they have constituted the main documentary sources for this Dissertation.¹ Access to public records in Spain is a recent phenomenon from which only the present generation has benefitted. Until the beginning of the 1980s, Contemporary History ended with the Spanish Civil War. Current History, which is the most recent contemporary heritage,

¹. For precise accounts of the nature, whereabouts and accessibility of some of the most important Spanish archives and other documentary sources, see Commission of Historians of International Relations: *Newsletter*, no. 4, July 1990, pp. 45-47, Spain's Ministry of Culture's data-base "Censo-Guía de los Archivos españoles", and the special issue of *Studia Historica. Historia Contemporánea*, vol. VI-VII, 1988-1989.

therefore, did not exist. The Franco period remained outside the scope of historical enquiry and was dealt with by other branches of the Social Sciences, such as Political Science, Sociology and Economy. The manipulation of History imposed by the Franco regime to favour its legitimacy discouraged scholars from studying contemporary history. It compelled them to do research in other historical periods with fewer political implications and less personal risk.²

The logic of the Spanish Archives is the complete distortion of their original design, which dates from 1969. All administrative units were to send their records to the central archive of the corresponding ministry, which in turn was to transfer them to the Administration's General Archive (AGA). The latter would have then selected the valuable documentation to be kept permanently at the National Historical Archive. This three-stage structure was never implemented. The National Historical Archive lacks any post-1945 documentation, many ministries still conserve historical records and the AGA became a permanent deposit forced to act as a historical archive, inferior in quality to other countries' national archives.

The general administrative reorganisation of the mid-1970s provoked a massive transfer of documentation to the AGA causing its immediate saturation.³ Documentation was originally filed without any clear indication of contents and remains as such today. Valuable sources might be completely inaccessible due to cataloguing problems. Typed inventories are not clearly informative and some of the references are ambiguous enough to render research ineffective. Despite the state of AGA records, they are the main existing records regarding the different technical ministries within the Spanish Administration, except for the diplomatic archive and the Bank of Spain. The administrative archives at the ministries of Agriculture and Public Works -the latter sheltered the Transport Department in the period referred to in this thesis- are in a calamitous state. The Spanish Ministry of Agriculture transferred some records to the

². A phenomenon qualified as "a long lasting kidnapping" by Jordi Nadal, Albert Carreras and Carles Sudrià: La economía española en el siglo XX. Una perspectiva histórica, Barcelona [Ariel] 1987, p. 7.

³. María Luisa Conde Villaverde: "Fuentes documentales de la Administración Central: el Archivo General de la Administración", Studia Historica, cit., pp. 157-67.

Central Archive but did not conserve the rest (if indexing is accurate). The visit to the archive of the Ministry of Transport was completely useless. On the other hand, the Ministry of Industry and Commerce was particularly disastrous at keeping records after 1951 and the fish shop cellar which kept some of this Ministry's records in 1951 was demolished to build a modern shopping centre.⁴ The present state of the archive of the National Institute of Industry, visited in an attempt to compensate for the lack of records from the Ministry of Industry, impedes any research about Spain's public industrial policy. Although less rewarding than expected, my research at the AGA dealt with records belonging to the ministries of Commerce, Agriculture, and Foreign Affairs (sources from embassies and diplomatic delegations).

The only fully effective Spanish ministerial archive is at the Ministry of Foreign Affairs.⁵ Since this Ministry reached a semi-monopoly position regarding the State's foreign economic policy, diplomatic papers in part compensate for some lacunae in other archives. The Spanish diplomatic archive contains information regarding the different viewpoints held by the rest of the ministries involved in the different issues concerned. The cataloguing system based on key words makes research depend upon a factor of chance.⁶ For instance, documents referring to the green pool could adopt eighteen

⁴. Conversation with Mr Manuel Varela Parache, Florence, 6 July 1989.

⁵. This archive follows a twenty-year rule for public access, the most liberal in Western Europe, where normally a thirty-year-rule is applied; ministerial Order of 16 January 1984, BOE of 10 March, regulating provisional access, confirmed by the MO of 2 April 1991, BOE of 11th, except for the so-called classified matters. The previous administrative circulars of 26 October 1970, 3 February 1977 and 11 May 1983, fixed the dates of record disclosing as 1900, 1931 and 1935 respectively. Angel Viñas is the scholar who had most stressed the importance of opening the archives to historical inquiry, i.e. a) "Los archivos como fuente para la historia del franquismo", in Ministerio de Cultura: Los archivos para la historia del siglo XX, Madrid, 1980, pp. 75-97; b) "Por una historiografía del franquismo desde dentro", in Estudios sobre historia de España. Obra homenaje a Manuel Tuñón de Lara, vol. 2, Madrid [Universidad Internacional Menéndez y Pelayo] 1981; and, c) "La historia de la contemporaneidad española y el acceso a los archivos del franquismo", Sistema, no. 78, May 1987, pp. 17-36. On the other hand, this same author benefitted from personal access to public records before 1984.

⁶. This cataloguing-system is contended to preserve State security, María Josefa Lozano Rincón and Enrique Romera Iruela: Guía del Archivo del Ministerio de Asuntos Exteriores, Madrid [Servicio de Publicaciones del Ministerio de Asuntos Exteriores] 1981, the only guide to this Archive. Researchers of Spanish contemporary international relations lack a collection of diplomatic documents and a basic description of the diplomatic machinery. There is only a list of international treaties signed by Spain, Ministerio de Asuntos Exteriores, Secretaría General Técnica, Servicio de

different (detected) entries, apart from country files. Important documents were also found by chance: the 1947 Import Programme upon which Chapter three was based belongs to a file labelled "Foreign Trade: State of Legislation" (sic). The problem is that, at times, the logic of the civil servant writing the labels on the jackets is difficult to comprehend. When documentation concerning a specific issue was not found, was it because the Spanish Ministry of Foreign Affairs paid no attention to the topic or the researcher was unable to find the proper key-word?

The Archive of the Presidency of the Government (APG) at the Ministry of Relations with Cortes, was of little use due to the non-existence of important documentary records which a researcher might have expected to find there: the Chief of State, Presidency of the Government and Secretary of Cabinet.⁷ Records regarding the Chief of State consist of seventy files, which supposedly contain the documents despatched by Franco acting as Chief of State. These files only include documents received from the different ministries which can also be found in the archive of the original ministry. Only few specific documents drafted for the Chief of State and none produced by this office, are among the papers which the author of these lines has seen. The El Pardo Archive, which initially kept Franco's papers, was split between the Royal Archive in the Palacio de Oriente and the Archive of the Presidency. Since the Royal Archive exclusively contains records concerning the internal administration of the palace, the only public documentation of the Head of State is limited to the records in the Presidency Archive.

The publication of eight volumes on Franco statecraft and one on Franco's policy towards the USSR, based on Franco's *private papers* (sic), proves the existence of non-public records concerning Franco.⁸ Both publications are evidence that an important part of public records escaped public control. They also show the persistent lack in Spain of

Información: Censo de Tratados Internacionales suscritos por España desde 16 de Septiembre de 1125 a 21 de Octubre de 1975, Vol. I Bilaterales, Madrid [Imprenta de la Oficina de Información Diplomática] 1976, of little use.

⁷. For a short summary of the specific nature of this archive, María Concepción Contel Barea: "El Archivo de la Presidencia del Gobierno", Studia Historica. Historia Contemporanea, Vol. VI-VII, 1988-89, pp. 169-77.

⁸. Luis Suárez Fernández: Francisco Franco y su tiempo, Madrid [Fundación Nacional Francisco Franco] 1984, 4 vols., and Francisco Franco y la URSS, Madrid [FNFF] 1987.

a clear-cut line between public and private documentation. Franco supposedly kept copies of important documents, which his wife conserved and, it seems, are now guarded at the Francisco Franco National Foundation. The puzzle is that, while public records concerning the Chief of State are very much reduced, no access is granted to Franco's personal papers.⁹

Another relevant aspect of the APG refers to the records of Admiral Carrero Blanco. The material conserved regarding Carrero's continuous government for more than 30 years (1940-1973) amount to thirty-three dossiers, whilst there is no notice of any of Carrero's personal papers. This lack of primary sources produces a paradox. While some scholars consider Carrero the black beast of the Franco regime, others see him as "one of the more persistently liberal members of the Cabinet".¹⁰

Cabinet, in turn, never minuted its meetings. The poor substitute is a register-book of the subjects reaching Cabinet and the decision adopted in their respect; all written in a few lines. This lack of records concerning the highest level of policy-making makes extremely difficult to be precise about many aspects of policy-making at some crucial points.

A more gratifying archive is the Historical Archive of the Bank of Spain.¹¹ The archive houses the records of the Spanish Foreign Exchange Institute (IEME), which

⁹. The fact also that many ministers or top civil servants left office taking their respective papers with them, should force the Spanish State to capture some private papers, following the French model of *Papiers d'Agents*. Important titles are based on individual access to important private archives, i.e. Javier Tusell: Franco y los católicos. La política interior española entre 1945 y 1957, Madrid [Alianza] 1984, based upon the records of Alberto Martín Artajo, Spain's Minister of Foreign Affairs from 1945 to 1957. The most recent publications on foreign policy by Tusell's collaborators made full use of it, Florentino Portero: Franco aislado. La cuestión española (1945-1950), Madrid [Aguilar] 1989.

¹⁰. Viñas: "Carrero Blanco y la autarquía", in Guerre, Dinero, Dictadura. Ayuda fascista y autarquía en la España de Franco, Barcelona [Crítica] 1984, pp. 323-328, versus Charles W. Anderson: The Political Economy of Modern Spain. Policy-Making in an Authoritarian Regime, Madison [The University of Wisconsin Press] 1970, p. 112.

¹¹. A concise guide to this Archive is Teresa Tortella: "El Archivo del Banco de España: Cuatro años después", in Banco de España: Actas del Segundo Congreso sobre Archivos Económicos de Entidades Privadas: Fuentes para la historia de la Banca y del Comercio en España 26-27 de junio de 1986, Madrid [Archivo Histórico del Banco de España] 1988, pp. 193-200

constitutes the main source of information available nowadays regarding Spain's commercial policy. The IEME, set up in August 1939 and subsequently placed within the Ministry of Industry and Commerce, held a monopoly over the State foreign exchange reserves. All commercial and financial operations involving the use of foreign currency required its previous authorisation. It also decided upon the exchange rate mechanism, following instructions from the Council of Ministers. The IEME constituted an important body of administrative coordination regarding foreign economic policy due to its interdepartmental structure. Its highest executive body, the Council of Administration, was presided over by the Minister of Industry and was composed of the general directors of IEME, Agriculture, Industry, Commerce, Stamp Duty and Monopolies, and Banking. The Council's Steering Committee, set up by a ministerial order of 29 March 1947, which first met on 14 April, replaced the Council as the IEME's executive body from July 1947 to January 1949. The consultation of their minutes partially compensates for the lack of records from the Ministry of Commerce. Furthermore, the IEME's annual reports are an important source of information on foreign economic policy.¹² However, this archive follows a very disappointing forty-year rule, which presently bars research after December 1950. Some scholars during the second half of the 1970s used these records fully for the post-1950 period. No revision of the historical views expressed in the late 1970s for the 1950s will be fully undertaken until the end of this Century!¹³

This research has tried to avoid what can be considered a serious problem in approaching Spain's international relations and foreign policy: the exclusive use of diplomatic records. The latter limits the historian's vision of Spain's international relations to the perception of the Ministry of Foreign Affairs, that is the perceived interests of the Ministry and its civilian corps. To limit research exclusively to diplomatic records implies the assumption that the Ministry of Foreign Affairs benefitted from an exclusive

¹². The annual reports from 1948 to 1956 and 1957 were never drafted, although some documentation concerning them appears in the archive.

¹³. Viñas et al., op. cit., and Joaquín Muns: Historia de las relaciones entre España y el Fondo Monetario Internacional, 1958-1982. Veinticinco años de economía española, Madrid [Alianza Editorial/Banco de España] 1986. The author received authorisation to consult the IEME records up to December 1955 only recently, while writing the final draft of this dissertation. A more logical attitude would be for the Board of Governors to adopt the Spanish standard 25-year rule for the Bank's archive.

monopoly of the country's foreign relations. It did so in the very limited area of diplomatic relations but it encountered competition from the rest of the administrative departments in other fields of foreign action, especially with respect to economic relations.

There is a generally admitted twenty-five-year rule for access to public archives. Every-day reality, however, is frustrating. As a result of administrative apathy, rooms to consult records are inadequate and opening hours cruelly short. Research suffers from the dispersion of sources, the mislaying of documentation and the traditional chaotic habits of the Spanish Administration when dealing with documentation. It is frequent to see files kept incomplete and many reports without their technical or statistical appendixes. It appears, thus, very difficult to establish the technical basis of many decisions. Even more disappointing is to find documentation classified in such an unpredictable and illogical way to render its consultation very time-consuming or even impossible. Notwithstanding this, innovative historical research can take place. Huge amounts of documentation are still waiting to be brought to light and the positive disposition of personnel, the best feature of the entire Spanish archives' structure, is a guarantee that new research will be welcome.

DRAMATIS PERSONAE

Personages are identified exclusively by the position(s) they occupied when they are mentioned in this thesis.

Lieutenant-Colonel d'ABOVILLE, Assistant Military Attaché at the French Embassy in Madrid

Dean G. ACHESON, U.S. Under-Secretary of State 1947-49 and Secretary of State 1949-53

Theodore C. ACHILLES, Chief of the Division of Western European Affairs at the U.S. Department of State

Konrad ADENAUER, Chancellor of the Federal Republic of Germany

Manuel AGUIRRE DE CARCER, Count of Casa Miranda, Spanish Chargé d'Affaires in Paris and Ambassador from December 1950 to July 1952

Duke of ALBA, Spanish Ambassador in London

Jaime ALBA DELIBES, Economic Counsellor at the Spanish Embassy in London in 1950, Under-Secretary of Foreign Economy and Commerce after July 1951

Luciano ALBO CANDINA, Spain's Director-General of Commerce and Tariff Policy and member of the IEME's Steering Committee in 1947; Director-General of Foreign Policy at the Ministry of Industry and Commerce, February 1947-June 1948

Manuel ARBURUA DE LA MIYAR, Spanish Minister of Commerce, July 1951 to February 1957; President of the Interministerial Coordinating Committee for the distribution of funds available from the economic aid agreement concluded in September 1953

José María de AREILZA y MARTIN DE RODAS, Count of Motrico, Spanish Ambassador in Buenos Aires 1947-50 and Washington 1954-60

Jaime ARGÜELLES ARMADA, Spanish Under-Secretary of Economic Affairs and, after July 1952, Under-Secretary of Foreign Economy and Commerce; Vice President of the Interministerial Coordinating Committee for the distribution of funds available from the economic aid agreement concluded in September 1953; head of the Spanish Permanent Delegation to the OEEC, after March 1955; in September 1955, Argüelles leaves his post of Under-Secretary to be Spain's delegate to the OEEC

Norman ARMOUR, U.S. Ambassador to Spain from March 1945 to December 1945, then Assistant Secretary of State for Political Affairs

Clement R. ATTLEE, Lord President of the Council and Deputy Prime Minister during WWII, British Prime Minister 1945-51

Vincent AURIOL, President of the French Republic, January 1947-January 1954

Sir John BALFOUR, British Ambassador to Spain after March 1951

Germán BARAIBAR y USANDIZAGA, Spanish Chargé d'Affaires in Washington

Juan BARCENAS Y DE LA HUERTA, Head of the American Section of the Spanish Ministry of Foreign Affairs

Robert W. BARNETT, Office of Western European Affairs at the U.S. Department of State

Joseph BECH, Minister of Foreign Affairs of Luxembourg

Colonel Juan BEIGBEDER Y ATIENZA, Spanish Minister of Foreign Affairs August 1939/October 1940

Edgar J. BEIGEL, Office of Western European Affairs of the U.S. Department of State

R. de BERCEGAL, French Chargé d'Affaires ad interim in Madrid in 1947

Alejandro BERMUDEZ GONZALEZ, Secretary of IEME

Ernest BEVIN, British Foreign Secretary 1945-51

Georges BIDAULT, France's Minister of Foreign Affairs 1944-48 and 1953-54, President of the Provisional Government June to November 1946 and Prime Minister October 1949 to June 1950

René BLONDELLE, Secretary General of the Fédération National des Syndicats des Exploitants Agricoles (FNSEA)

Léon BLUM, France's Premier for a little more than a month in 1946-47

James C.H. BONBRIGHT, Deputy Assistant Secretary of State for European Affairs at the U.S. Department of State 1950-54

Édouard BONNEFOUS, Drafter of the so-called *Plan Bonnefous*

Philip W. BONSAI, U.S. Chargé d'Affaires ad interim in Madrid between March 1946 and June 1947

Don Juan de BORBON Y BATTENBERG, third son of Alfonso XII and Pretender of the Spanish throne

Francisco BOZZANO, Attaché for Foreign Economy at the Spanish Embassy in Brussels

A.R. BRUCE, Official at the Export Department of the Board of Trade

James F. BYRNES, U.S. Secretary of State 1945-47

Antonio CACHO ZABALZA, official at the Diplomatic Information Bureau, Spanish Embassy in Washington

Demetrio CARCELLER, Spain's Minister of Industry, October 1940-July 1945

Fernando CARDERERA, Attaché for Foreign Economy in Madrid

Admiral Luis CARRERO BLANCO, Minister Under-Secretary in charge of the Presidency of the Council of Ministers (i.e., Secretary to the Franco Cabinet Office), after May 1940.

Fernando María CASTIELLA MAIZ, Spanish Minister of Foreign Affairs, from February 1957 to October 1969

Atilio CATTANI, Head of the Italian Delegation to the OEEC and Chairman of the OEEC's Executive Committee

Rafael CAVESTANY y ANDUAGA, Spanish Minister of Agriculture, July 1951 to February 1957

William L. CLAYTON, U.S. Assistant Secretary of State for Economic Affairs 1944-46 and Under-Secretary of State for Economic Affairs 1946-47

E.A. COHEN, British civil servant

Guido COLONNA, Deputy Secretary General of OEEC

Tom CONNALLY, Chairman of the Foreign Affairs Commission of the U.S. Senate

Pedro CORTINA MAURI, Head of the International Organisations Department of the Spanish Ministry of Foreign Affairs. He will be appointed Spanish Minister of Foreign Affairs in January 1974

J.R. COTTON, Commercial Counsellor at the British Embassy in Madrid

J.E. COULSON, Head of Mutual Aid Department of the British Foreign Office

Paul T. CULBERTSON, Chief of the Division of Western European Affairs at the U.S. Department of State in March 1945, Head of the Spanish Desk in January 1946 and Chargé d'Affaires ad interim in Madrid, June 1947 to December 1950

Ernest DAVIES, British Parliamentary Under-Secretary of State for Foreign Affairs March 1950-October 1951

Leon DEGRELLE, Chief of the Belgian fascist party

John Foster DULLES, U.S. Secretary of State 1953-59

Jacques DUMAINE, French Ambassador to Portugal

William B. DUNHAM, Country Specialist in the Office of Western European Affairs of the U.S. Department of State after October 1951, Chairman of the Mutual Assistance Advisory Committee Working Group on Spain after December 1951, and Head of the Division of Western European Affairs after December 1954

James Clement DUNN, U.S. Ambassador to Italy, France and Spain April 1953 to February 1955

Anthony EDEN, Earl of Avon, British Secretary of State for Foreign Affairs October 1951 to April 1955

H.H. EGGERS, Official of the British Treasury

Dwight D. EISENHOWER, General of the U.S. Army, Chief of Staff 1945-48, Supreme Allied Commander in Europe 1951-52, 34th President of the United States 1953-61

C. Burke ELBRICK, U.S. Deputy Assistant Secretary of State

Sir Hugh ELLIS-REES, Financial Adviser to the British Embassy in Spain 1940-44; member of the British Delegation to the OEEC with rank of minister in 1948; vice-chairman of the Managing Board of the European Payments Union 1950-51; Permanent Delegate to the OEEC in 1952 with rank of Ambassador after 1954; Chairman of the OEEC 1952-60

Francisco Javier ELORZA Y ECHANIZ, Marquis of Nerva, Commercial Attaché at the Spanish Embassy in Washington and then Vice-President of the Spanish Delegation to the OEEC

Ludwig ERHARD, West German Minister for Economics

José Sebastián de ERICE y O'SHEA, Director-General of Commerce and Tariff Policy at the Under-Secretariat for Commerce, Tariff Policy and Currency at the Ministry of Industry and Commerce, June 1945/June 1946, then Director-General of Foreign Policy at the Spanish Ministry of Foreign Affairs, and first Spanish Permanent Observer to the United Nations

José Félix de ESCORIAZA Y BODX, Agricultural Attaché at the Spanish Embassy in Paris

Amintore FANFANI, Italian Minister of Foreign Affairs

Juan FERNANDEZ CASAS, Director-General of Banking and Exchange Stock, member

of the IEME's Steering Committee

James FORRESTAL, U.S. Secretary of National Defense September 1947-March 1949

General Francisco FRANCO BAHAMONDE, Spanish Head of State

Nicolás FRANCO BAHAMONDE, the former's brother and Spanish Ambassador to Portugal

Francisco FRANCO SALGADO-ARAUJO, Francisco Franco's military secretary for 1956 to 1975 and author of an interesting collection of conversations with his cousin General Franco

André FRANÇOIS-PONCET, French High Commissary of the French Republic in Germany

Sir Oliver S. FRANKS, British Ambassador to the United States June 1948 to February 1953

Tommaso GALLARTI SCOTTI, first Italian Ambassador to Spain after World War II

Carlos GAMIR, Counselor of Foreign Economy, Spanish Embassy in Bonn

Juan GARCIA LOMAS, Attaché of Foreign Economy in Brussels

Issac GARCIA DEL VALLE, Director-General of Economic Policy at the Spanish Ministry of Foreign Affairs

Herbert E. GASTON, Chairman of the Board of Directors of the Export-Import Bank of Washington

Charles de GAULLE, President of the French Committee of National Liberation at Algiers, President of the Provisional Government of the French Republic in November 1945 to January 1946

Ricardo GIMENEZ ARNAU, Attaché of Foreign Economy in Washington D.C.

Francisco GOMEZ-JORDANA Y SOUSA, Count of Jordana, Spanish Minister of Foreign Affairs, February 1938/August 1939 and September 1942/August 1944

Lincoln GORDON, Chairman of the Mutual Assistance Advisory Committee

Manuel de GOYTIA y ANGULO, Spain's Director-General of Agriculture and representative of the Ministry of Agriculture at the IEME Administrative Council

Stanton GRIFFIS, U.S. Ambassador to Spain, March 1951 to January 1952

Sir Edmund HALL-PATCH, Permanent British Representative to the OEEC and Chairman

of the OEEC Executive Committee, April 1948-September 1952

Bernard HARDION, Chargé d'Affaires at the Delegation of the Provisional Government of the French Republic in Spain after May 1945, Ambassador after November 1950

Carlton J.H. HAYES, U.S. Ambassador to Spain, June 1942 to January 1944

R.P. HEPPEL, 1st Secretary of the British Embassy in Madrid after January 1951

John D. HICKERSON, Director of the Office of European Affairs at the U.S. Department of State

Paul G. HOFFMANN, U.S. Administrator of the European Cooperation Administration 1948-50

Outerbridge HORSEY, Assistant Chief of the Division of Western European Affairs at the U.S. Department of State

Douglas F. HOWARD, British Chargé d'Affaires in Madrid after December 1946 when the British Ambassador Sir Victor Mallet left Spain

Pierre HUET, Legal Adviser at the OEEC

Blas HUETE CARRASO, Chairman of the Spanish Institute of Foreign Exchange

Jean HUGUES, Commercial Counsellor, Chief of the Economic Division at the French Delegation in Spain

R. HUTTER, Vice-Chairman of the ECSC High Authority's transport division

Lord INVERCHAPPEL, British Ambassador to the United States

John Wesley JONES, U.S. Chargé d'Affaires in Spain between December 1950 and February 1951, thereafter Counselor of the Embassy in Madrid

Eduardo JUNCO Y MARTINEZ-AZCOITIA, Director-General of Commerce and Tariff Policy at the Under-Secretariat for Commerce, Tariff Policy and Currency at the Ministry of Industry and Commerce, until June 1945

George F. KENNAN, Head of the U.S. State Department's Policy Planning Staff

Charles P. KINDLEBERGER, Chief of the Division of German and Austrian Economic Affairs at the U.S. Department of State

Major General August W. KISSNER, USAF, leader of the Joint United States Military Group negotiating, after April 1952, the granting of military bases by the Spanish Government

Dr Oscar LANGE, Polish Delegate at the United Nations

José LARRAZ LOPEZ, Minister of the Treasury in Franco's second government, August 1939 to May 1941 and promoter of a research project, during the 1950s, about the impact of a European economic union on the Spanish economy

Harold LASKI, Chairman of the Labour Party National Executive

Camille LAURENS, France's Minister of Agriculture after August 1951

Maurice LEMAIRE, former Director-General of SNCF and initiator of a proposition for a European Transport Council

José Félix de LEQUERICA y ERQUIZA, Spain's Minister of Foreign Affairs August 1944/July 1945; inspector of embassies and unofficial Ambassador in Washington after 1947; official Spanish Ambassador to the United States after January 1951

Edward LLOYD, official at the British Ministry of Agriculture and Fisheries

John Davis LODGE, U.S. Ambassador to Spain, March 1955 to April 1961

José María LOJENDIO, head of the Diplomatic Information Bureau at the Ministry of Foreign Affairs, Madrid

Fermín LOPEZ-ROBERTS Y MUGUIRO, Marquis de la Torrehermosa, Director for Europe at the Spanish Ministry of Foreign Affairs

Jean-Marie LOUVEL, French Minister of Industry and Energy August 1951-March 1952

Robert A. LOVETT, Under-Secretary in the U.S. Department of State and Secretary of Defense September 1951 to December 1956

Lincoln MacVEAGH, U.S. Ambassador to Spain, March 1952 to March 1953

Pierre MAESTRACCI, Chief de Cabinet of the French Minister of Agriculture

Roy MAKINS, British Deputy Under-Secretary of State for Foreign Affairs until December 1952

MALECOT, Head of the French Delegation to the European Conference on the Organisation of Agricultural Markets (henceforth, ECOAM)

Sir Victor MALLET, British Ambassador to Spain, presented credentials in July 1945 and was recalled in mid-December 1946 as result of the resolution of the United Nations' General Assembly

von MALTZAN, German Director-General of Foreign Trade

Hans Karl von MANGOLDT, President of the European Payments Union

Sicco L. MANSHOLT, Dutch Minister for Agriculture

Robert MARJOLIN, Secretary General of the OEEC

General George C. MARSHALL, U.S. Secretary of State 1947-49 and Secretary of Defense 1950-51

Alberto MARTIN ARTAJO, Spain's Minister of Foreign Affairs

René MASSIGLI, French Ambassador to London

Caeiro da MATA, Portugal's Minister of Foreign Affairs

H. Freeman MATHEWS, U.S. Deputy Under Secretary of State

Patrick A. McCARRAN, Chairman of the Special Appropriations Subcommittee on Mutual Security of the United States Senate

Hector McNEIL, British Minister of State for Foreign Affairs between October 1946 and February 1950

Pierre MENDES-FRANCE, French Minister of National Economy and executive director of the International Bank

Antonio de MIGUEL, Counsellor of National Economy

Jean MONNET, France's High Commissioner for the Plan for Modernisation and Reequipement 1946-52, inspirator of the Schuman declaration of 9 May 1950 and President of the High Authority of the ECSC 1952-55

José Antonio MONTES, Vice-Chairman of the Spanish Institute of Foreign Currency

Ben T. MOORE, Director of the Office of European Regional Affairs at the U.S. Department of State

Andrés MORENO, Chairman of the Banco Hispano-Americano and special emissary of the Spanish Government to Washington for matters related to Eximbank credits

André MORICE, French Minister of Public Works, Transport and Tourism, after March 1952

Antonio MOSQUERA Y LOSADA, Spanish Commercial Counselor at the Spanish Embassy in Paris

Agustín MUÑOZ GRANDES, Spanish Army Minister after July 1951

Emilio NAVASQUES Y RUIZ DE VELASCO, Director-General of Economic Policy at the Ministry of Foreign Affairs until February 1947; Under-Secretary of Foreign Economy and Commerce (as such representative at the IEME executive bodies) until the end of 1948 and then Under-Secretary of Foreign Affairs. He was appointed Spanish Ambassador to Argentina in December 1949

Dr Juan NEGRIN LOPEZ, Head the Popular Front government of the Second Republic exilé in London

José NUÑEZ IGLESIAS, Director-General of Foreign Policy at the Spanish Ministry of Industry and Commerce, June 1948/July 1950; then Director-General of Economic Policy at the Spanish Ministry of Foreign Affairs; after September 1955, Under-Secretary of Foreign Economy and Commerce

Anthony NUTTING, British Parliamentary Under-Secretary of State for Foreign Affairs between November 1951 and October 1954, and Minister of State for Foreign Affairs between then and November 1956

Alvin E. O'KONSKI, Republican Representative of Wisconsin

Román OYARZUN IÑARRA, Secretary of Embassy at the International Organisations Division of the Spanish Ministry of Foreign Affairs and Secretary of the Working Party set up in Madrid to follow the developments of the ECOAM

Jacques-Camille PARIS, Secretary General of the Council of Europe

Clinton G. PELHAM, British Commercial Counsellor in Madrid and author of an economic and commercial survey of Spain in 1951

Juan Domingo PERON, President of Argentina after February 1946

George W. PERKINS, U.S. Assistant Secretary of State for European Affairs, until January 1953

Maurice PETSCHE, France's Minister of Finance

Pierre PFLIMLIN, France's Minister of Agriculture

José Antonio PIERA LABRA, State Commercial Technician appointed as linkage-official with the American Embassy for the investment of the U.S. assistance

Antoine PINAY, French Minister of Public Works, Transport and Tourism, between June 1950 to March 1952

Christian PINEAU, French Minister of Foreign Affairs February 1956 to May 1958

Monsignor PLA Y DENIEL, Primate Cardinal of the Spanish Church

Pedro de PRAT y SOUTZO, Marquis of Prat de Nantouillet and Count of Pradère, Director of the American Section of the Spanish Ministry of Foreign Affairs 1949-52

Miguel PRIMO DE RIVERA, Spanish dictator 1923-30

Pietro QUARONI, Italian Ambassador to France

Louis RABOT, Head of the Foreign Service of the French Ministry of Agriculture, Chairman of the Interim Committee of the ECOAM (March 1953-July 1954) and Director of the Committee on Agriculture and Food of the OEEC

Julio RAJAL GUINDA, Secretary of the Spanish Embassy in Paris and of the Spanish delegation to the ECOAM

G. Hayden RAYNOR, Special Assistant to the Director of the Office of European Affairs, at the U.S. Department of State

Carlos REIN SEGURA, Spanish Minister of Agriculture, July 1945 to July 1951

Federico REPARAZ, Technical Attaché at the Spanish Embassy in Paris

Paul RIBEYRE, French Minister of Public Health and Population

Lieutenant-Colonel of Engineers José María RIVERO DE AGUILAR Y OTERO, RENFE's Director-General

José ROJAS Y MORENO, Count of Casa Rojas, Spanish Ambassador to France after July 1952

General Fernando ROLDAN, Director of the Spanish Commissariat for Fuels

José Miguel RUIZ MORALES, Director-General of Foreign Economy in the Ministry of Industry and Commerce, July 1950/July 1951

Luis SAEZ DE IBARRA y SAEZ DE URABAIN, Deputy Governor of the Bank of Spain

António de Oliveira SALAZAR, Portugal's Premier after 1932

Florencio SANCHEZ MENENDEZ-RIVAS, Chief of the Export Service at the Ministry of Industry and Commerce

Sir Orme SARGENT, British Permanent Under-Secretary of State for Foreign Affairs 1946-49

Robert SCHUMAN, French Minister of Foreign Affairs

Juan SCHWARTZ Y DIAZ-FLORES, Director-General for Commercial Policy and Treaties at the Spanish Ministry of Commerce

Ramón SERRANO SUÑER, Spanish Minister of Foreign Affairs, October 1940/September 1942

Carlo SFORZA, Italian Minister of Foreign Affairs

Admiral Forrest P. SHERMAN, Chief of the United States Naval Operations

SOUTOU, Head of the French delegation to the OEEC

Paul-Henri SPAAK, Premier of Belgium 1948-51 and Foreign Minister 1948-51 and 1954-57

Dirk Pieter SPIERENBURG, member of the High Authority

Air Force Major-General James W. SPRY, leader of the Joint Military Survey Team to survey the Spanish economy in 1951

Harold E. STASSEN, the Director of the Foreign Operations Administration after August 1953

Dirk U. STIKKER, Minister of Foreign Affairs of the Netherlands

Sir William STRANG, Permanent Under-Secretary at the Foreign Office

Juan Antonio SUANZES Y FERNANDEZ, Minister of Industry and Commerce in Franco's first Cabinet February 1938-August 1939 and again in August 1944-July 1951, President of the Spanish National Institute for Industry 1941-63, Director of the Spanish Foreign Exchange Institute 1945-50

Fernando SUAREZ DE TANGIL Y ANGULO, Spanish Minister of Public Works

Max SUETENS, Leader of the Belgian delegation to the Paris conference on the Schuman negotiations

Professor Sidney C. SUFRIN, leader of the Temporary Economic Survey Group deputed by the United States Economic Cooperation Administration to prepare a report on all aspects of the Spanish economy

Tomás SUÑER FERRER, Spanish Under-Secretary for Foreign Economy and Commerce, end of 1948/July 1951

Paolo Emilio TAVIANI, Italian Under-Secretary of Foreign Affairs

Myron C. TAYLOR, personal representant of President Truman at the Vatican

Manuel THOMAS DE CARRANZA, civil servant at the Directorate General of Economic Policy, Spanish Ministry of Foreign Affairs

Antonio de TORRES ESPINOSA, Under-Secretary of Commerce

Manuel de TORRES MARTINEZ, a Spanish leading economists at the time asking for a more liberal economic policy

Georges de la TOURNELLE, French Ambassador to Spain

George F. TRAIN, leader of the Mutual Security Agency Economic Group negotiating the economic aspects of the bilateral Spain-USA agreements finally concluded in September 1953

Jacques TRUELLE, the Delegate in Spain of the Provisional Government of the French Republic

Harry S. TRUMAN, President of the United States, April 1945 to January 1953

F. VALERY, Director-General of Economic Affairs and Finances at the French Ministry of Foreign Affairs

Lieutenant General Juan VIGON SUERODIAZ, Head of the Spanish Chiefs of Staff (<<Alto Estado Mayor>>)

Manuel VILA GORRIZ, Assistant Director-General of the Spanish Foreign Exchange Institute and its Director from August 1949 to February 1955

John WALKER, British Commercial Counsellor in Madrid and author of an economic and commercial survey of Spain in 1948

Brigadier A.E.M. WALTER, Leader of the British Delegation to the OEEC Transport Conference

James E. WEBB, U.S. Under-Secretary of State January 1949 to February 1952

Edward L. WILLIAMS, Director of the U.S. Operations Mission in Spain after October 1953

G.M. WILSON, British official at the Cabinet Office

F.H. WHITAKER, official at the Board of Trade

George P. YOUNG, Head of the Western Department at the Foreign Office

Mariano de YTURRALDE y ORBEGOSO, Director-General of Commerce and Tariff Policy at the Under-Secretariat for Commerce, Tariff Policy and Currency at the Ministry of Industry and Commerce, June 1946/February 1947, and member of the IEME's Steering Committee; then held the General Directorship of Economic Policy at the Spanish Ministry of Foreign Affairs

Bibliography

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